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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[Canada]

Vol. 3, Pt. 1-2

JAN 21 1938 — Jan. 24, 1938

REPORTERS:

George Thompson  
John Robertson  
David Torry

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OTTAWA, ONTARIO, JANUARY 21, 1938

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OTTAWA, ONTARIO, JANUARY 21, 1930

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## ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JANUARY 21, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Ottawa, Ontario, on Friday, January 21, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS	)	
JOHN W. DAFOE, Esq.	)	
DR. ROBERT ALELANDER MacKAY	)	Commissioners
PROFESSOR HENRY FORBES ANGUS	)	

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

James McGregor Stewart, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
Adjutor Savard, Esq.	Secrétaire Français
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE CANADIAN ASSOCIATION FOR ADULT EDUCATION:

Professor Norman A. MacKenzie

FOR THE CANADIAN MEDICAL ASSOCIATION:

Dr. George S. Young	Chairman, General Council
Dr. T. C. Routley	General Secretary

FOR THE SINGLE TAX ASSOCIATION OF CANADA:

J. H. L. Patterson, Esq.	President
G. B. Bagwell, Esq.	Counsel

FOR THE TRADES AND LABOUR CONGRESS OF CANADA:

P. M. Draper, Esq.	President
R. J. Tallon, Esq.	Secretary-treasurer
Rod Plant, Esq.	Associate Secretary
W. L. Best, Esq.	
W. H. Phillips, Esq.	Ry. Transportation Brotherhood
L. A. Beaudry	Brotherhood of Railway Carmen of America





Railway Committee Room,  
House of Commons,  
Parliament Buildings,  
Ottawa, Ontario,  
January 21, 1938.

# MORNING SESSION

The Commission met at 10.30 a.m.

## CORRECTION

THE CHAIRMAN: Before we commence our formal proceedings I wish to make just one observation.

The headlines in some of the papers I have seen this morning convey an impression of my observations yesterday which I certainly did not intend to convey. I draw attention to the following observations which I made in the course of the discussion yesterday, at page 2956:

"To prevent any possible misunderstanding, and for the purpose of record, may I say that the observation I was making was in reference to treaties proper that fell clearly within 102, if made by the Imperial executive. .... I am not passing any opinion on these particular conventions. I am dealing with the broader question raised by that section."

Then at page 2963, Mr. MacKenzie, after referring to his Brief, said:

"The language of Lord Atkin suggests that he includes treaties as well as conventions within the prohibition.

THE CHAIRMAN: My observation was based on the view that his language did cover treaties as well as conventions and related to the treaty feature."

I just wanted to make that point clear.



We are to hear this morning Mr. MacKenzie, on behalf of the Canadian Association for Adult Education.

PROFESSOR NORMAN A. MacKENZIE was called.

SUBMISSION BY

THE CANADIAN ASSOCIATION FOR ADULT EDUCATION

PROFESSOR NORMAN A. MacKENZIE: Mr. Chairman, and gentlemen, first I would like to convey the regrets of the Director of the Canadian Association for Adult Education, Mr. E.A. Corbett, who had fully expected to be here this morning to assist me in the presentation of this Brief. Unfortunately he is ill with a cold and was unable to come. He asked me to convey to you, sir, and to your colleagues, his sincere regrets.

THE CHAIRMAN: We regret that he is ill and cannot be present, but we know that the Brief will be ably presented.

MR. MacKENZIE: Thank you, Mr. Chairman.

The reason why the Association felt it might be useful to come before you and to prepare a Brief for your consideration was, in the first place, because of the fact that other educational organizations were presenting Briefs, and it was felt that it would give a sense of unity to the whole if this Association, which has a peculiar or particular field of its own, should join with them. That peculiar or particular field is one which we feel is of importance in connection with the problems which you as a Commission are considering.

Education in its more technical sense is, under the British North America Act, a matter for the provinces. I do not think there is any question that





if Confederation is to continue and to be successful and effective, the citizens of the various provinces of Canada must have some appreciation and understanding of the problems and of the beliefs and feelings of their fellow-citizens in other provinces; and it is in that particular field, in that field which attempts to create a sense of community within Canada, that this organization is interested, and to that it gives its attention and devotes its energies.

Coming to the Brief itself, there are just two or three points that I want to make.

The first point I wish to make is that the Association does lend its support to the other educational institutions which have appeared before you. They have suggested that if you are considering the question of the finances of education in terms of Dominion-Provincial relations, then probably the better way of dealing with that, if there is any suggestion that the Dominion should give assistance, or assist by a re-allocation of the burdens of education, would be for the Dominion to take the responsibility for certain services, such as public health, rather than that there should be either a direct grant or a surrender by the Dominion to the provinces of certain sources of revenue.

I do not think it was the purpose of the Association to suggest that the financial burdens of the Dominion should be increased because of the needs of education, because we appreciate the difficulties that have led to unbalanced budgets and heavy taxation. It was rather that, if there was to be a consideration of a re-adjustment and a reallocation of the burdens and in-



cidence of taxation, this matter might be considered, and our belief is that it could be better done in the third way than in either of the other two.

The next point I want to make is set out at the top of page 2 of the Brief:

"First, the need of an extension of the responsibilities of the Education Division of the Dominion Bureau of Statistics."

I think there the idea was that in the long run maney might be saved to the community generally if that special branch were given greater opportunities to advise and assist the various educational bodies throughout the country. Among the things which it was thought it might usefully do were investigation and research in Canadian educational problems; to conduct surveys, experiments and research in the social sciences.

"The services rendered by this office could also be greatly extended with advantage to education in Canada by means of publications, conferences called by the director, and by the use of the radio."

Again, we swish to point out that the Dominion has from time to time expended very considerable sums on education by Vocational grants and otherwise, and it may see fit to do so in the future. We are suggesting that if it does, some of the funds might be available for this kind of work and perhaps be more usefully employed in that way than in the way they have been expended in the past.

I think it is fair to note, too, that the Dominion has found monies for the National Research Council and for the organization set up under it, and I would myself say that that organization has been of great value



to Canada and that the money spent on it has been spent to advantage in terms of returns to the Canadian people; and I think the same would be true, or could be true, of developments in the field of education and the social sciences along much more moderate lines.

The next point I want to make has to do with the functions of the Association itself in coordinating the work of the various voluntary associations and organizations and institutions which are already in existence in Canada and which carry on a very valuable piece of work. That we set out more because we want to bring it to your attention and to the attention of the Canadian people.

Among the matters that we considered particularly important were library facilities in rural areas. That is mentioned at the foot of page 2, and further along in the report you will see references to that matter on page 5, in the paragraph dealing with Alberta, and more particularly on page 7, where the regional library organization in Prince Edward Island is commented upon and approved and the lack of such facilities in the other provinces is regretted.

Then we have set out certain examples of what we considered to be interesting illustrations of adult education in operation in the various provinces in Canada--in Nova Scotia, and growing out of that and extending into New Brunswick and Prince Edward Island.

Then on page 5 we refer to the work that is done in the universities in Ontario, Alberta and Saskatchewan, and I would just like to add that the province of Quebec is cooperating in a very sympathetic and practical way with the Association in the work that it is doing.

THE CHAIRMAN: While undoubtedly the work is very





important, Mr. MacKenzie, and the Brief most interesting, how does it affect the work of our Commission other than in the manner in which you suggested in opening? That if there is any reallocation, it should be on the basis of the Dominion assuming some of the services that are now being performed by the province, rather than by direct grants.

MR. MACKENZIE: I would say, sir, that the only other practical ground on which the Brief comes within your purview is that set out, for you will notice that on page 8 we refer to the fact that the Dominion government voted one million dollars for training and development projects for the training of unemployed young people. It is our opinion that had more time been given to organize and develop that work, the money might have been spent to better advantage, and it was felt that if the Dominion government or other governments consider expending funds like that in the future, as they may do, they should give consideration to the planning of it and to the wisdom of consulting organizations, both national and provincial, who might be able to assist them in that way.

I think the only other matter that I wish to comment upon is that set out on page 9 where we say that we are here to offer officially our assistance as a national organization representing all types of adult education in Canada, in an advisory capacity to Dominion and provincial authorities in the event of a continued participation by the Dominion in this scheme, which is an educational rather than a relief problem;

"With our branch organizations and affiliated societies throughout Canada, the executive officers of the Canadian Association



"for Adult Education could bring to the assistance of federal authorities a knowledge of conditions in the various provinces and of the vocational educational requirements of those provinces, and to the provincial authorities experience and knowledge suited to their needs. In cooperating in this way it is felt by our Association that much of the confusion and overlapping bound to occur as a result of hasty short-term planning could be overcome."

And then in a more permanent way, as we say on page 10:

"In addition, we wish to go on record as being permanently available in a consultative capacity to federal and provincial authorities in respect of any projects in the field of adult education, vocational or otherwise, which they may from time to time initiate and carry out."

Those, Mr. Chairman, I think are all of the comments that I want to make in respect of the Brief.

In conclusion, we would wish you every success in the work you are doing, which we believe to be of the utmost importance in an educational sense because you are performing, I think, a very real service to adult education as well as in the other fields that you are considering, and suggest that you would give sympathetic consideration, in considering some of the points raised, to the Association itself.

THE CHAIRMAN: I assume, Mr. MacKenzie, that your Association has already conveyed to both the Dominion government and to the governments of the provinces the suggestion contained in the paragraph you have just read because it would be more likely to receive





earlier consideration than if you had to wait until this Commission reports.

MR. MacKENZIE: I may say that some of the provincial governments, or at least some members of these governments, did consult with the Director in respect of the allocation and expenditure of these funds, and I know that the same is true with respect to certain departments of the federal government, but that consultation was really after the event, rather than before it, and such assistance as we were able to lend was limited because of that fact.

THE CHAIRMAN: Thank you. Have you any questions, Mr. Stewart?

MR. J. MCGREGOR STEWART: Just one or two, my Lord..

BY MR. STEWART (of Mr. MacKenzie):

Q. Your first recommendation, on page 2, is for an extension of the responsibilities of the Education Division of the Dominion Bureau of Statistics. That would involve, would it not, a change in the functions of that body? A. It would certainly involve an extension of its functions. I do not think there was any intention that that body should cease to be a statistical body or cease to perform the very valuable work they are doing, but merely that they should take on additional duties which are not statistical. That is the point.

Q. I just wanted to have that clear. Now on page 1 you point out three ways in which there might be financial aid to education by the Dominion. Any one of those three methods of federal aid to education would involve either a loss of revenue or additional expenditure for the Dominion, would it not? Number 2, for instance, would mean a loss of revenue? A. Yes, number 2 would



definitely mean that. Number 1 would certainly mean a contribution, but number 3 would not necessarily mean that. I assume that the provinces are already carrying public health. If the Dominion took it over, it would mean an additional federal burden.

Q. And I think you realize the difficulties in doing that at the present time? A. Yes. If the funds are not available, we would suggest rather a readjustment or reallocation of the burden, because we believe in that way money might be asaved.

Q. You are not suggesting that any particular activity which calls for expenditure by the Dominion should be discontinued for that purpose? A. No.

THE CHAIRMAN: Thank you, Mr. MacKenzie. Your Brief will be filed as Exhibit No. 101.

EXHIBIT NO. 101;      Brief submitted by  
The Canadian Association  
For Adult Education.

MR. MACKENZIE: Might I just add a word with respect to Appendix "D". We have submitted only a limited number of copies of the Appendix because we did not want to overburden the Commission with documents, and the Appendix is a bulky one, but we thought that if the Commission were exploring the field of adult education they might like to have the information contained in this Appendix at their disposal, and so we brought along sufficient copies for the members of the Commission and for the secretary.

THE CHAIRMAN: Thank you.

MR. STEWART: May I suggest, my Lord, that inasmuch as Appendix "D" is a separate volume, it might be well to have it numbered as an Exhibit also.

THE CHAIRMAN: Yes, that will be exhibit No. 102.



EXHIBIT NO. 102:      Appendix "D"---"A"  
                          Survey of Adult  
                          Education in Canada"  
                          submitted by the  
                          Canadian Association  
                          For Adult Education.

THE CHAIRMAN: Next is the Canadian Medical Association, represented by Dr. Young and Dr. Routley.

DR. GEORGE S. YOUNG, Chairman of General Council, Canadian Medical Association, and Dr. T. C. ROUTLEY, General Secretary of the Association, were called.

THE CHAIRMAN: Dr. Young, you are Chairman of the General Council of the Canadian Medical Association, and Dr. Routley, General Secretary, appears with you?

DR. GEORGE S. YOUNG: Yes, Mr. Chairman.

THE CHAIRMAN: We shall be very glad to hear you

#### SUBMISSION BY

#### ~~THE CANADIAN MEDICAL ASSOCIATION~~

DR. GEORGE S. YOUNG: Mr. Chairman and Members of the Commission, Dr. Routley and myself have the honour of presenting on behalf of ~~the Canadian Medical Association~~ the following Brief:

"Coincident with Confederation, the Canadian Medical Association came into being in 1867.

There are nine provincial medical associations in Canada, all of which are affiliated Branches of the Canadian Medical Association; and, on behalf of the Canadian Medical Association and its nine Branches and in the name of more than 6,000 Canadian physicians and surgeons, this brief is respectfully submitted.

The objects of the Canadian Medical Association may be recited in part as follows:

- (a) To cultivate the science of medicine and surgery.





- "(b) To advance the character and honour of the medical profession
- (c) To further unity and harmony among its members.
- (d) To ensure the observance of legal duties and obligations imposed on the profession in medical matters by the different statutes or the principles of ethics established by the Association.
- (e) To promote the public health.
- (f) To elevate the standard of medical education for the good of the public and the profession.
- (h) To study and advance by any means within its power, the improvement and standardization of hospitals.
- (i) To conduct or assist in conducting research work in connection with the different medical problems that from time to time confront the profession.
- (j) To serve humanity and the medical profession by investigation, study and research work in connection with all matters in which the profession can properly interest itself and to do any necessary act or thing in the premises.
- (k) To do such other lawful things as are incidental or conducive to the welfare of the public and of the medical profession.

The foregoing objects might perhaps be appropriately epitomized in the following words:



"The promotion of health and the prevention of disease". It will hardly be argued by any thinking person that greater responsibilities or more important functions rest upon any group of Canadian citizens. As an organized body, we are concerned with Canada's greatest asset, the health of her people. It would, therefore, seem appropriate that our voice should be heard by this Royal Commission, charged as you are with the grave responsibility of examining, diagnosing, and recommending treatment for, those ills of our people, be they economic, social or political, which, in your opinion require to be corrected or cured in order that the nation may enjoy health in the broadest conception of that word.

You have already heard and will no doubt continue to hear outpourings of symptoms, with their causes and suggestions as to cures. While there may be marked similarity in symptoms, you will no doubt find sectional divergences as to causes and recommendations as to cures, all of which will undoubtedly call forth the highest degree of diagnostic skill of which the members of the Royal Commission are capable.

Rather than add to your heavy burden, we wish to introduce a concept of health responsibility which, we trust, will prove logical to you and receive emphasis in your final recommendations.

Disease and ill health present exactly the same picture in Halifax as in Victoria. There are no municipal, provincial or Dominion





"statutes which in any way alter the problem of dealing with a case of diabetes or infantile paralysis or cancer, in any part of Canada. The broad question of health preservation gives rise to no sectional differences of opinion, and, therefore, as one voice, not as nine or ninety-nine, we are enabled to submit for your consideration the following observations.

#### RELATION OF BRITISH NORTH AMERICA ACT TO HEALTH

The British North America Act of 1867 gave certain rights to the parliament of Canada and to the provinces."

Then on pages 4 and 5 we give extracts from the British North America Act relating directly or indirectly to health, which perhaps it is not necessary for me to read.

THE CHAIRMAN: We have them before us.

DR. YOUNG: They are put in simply to emphasize the fact that Public Health is not really mentioned in the British North America Act itself except faintly and in an indirect way. Another reason for inserting these provisions was that it gives us an opportunity of seeing the progress that has been made in public health. At the time these provisions were made I suppose there was very little thought of the health implications of any of them. For example, take number 2--the regulation of trade and commerce. With the passing of the years it has been found necessary to introduce a Narcotics Act and a Pure Foods law, and an Act relating to health on Public Works, and so on. It was not the thought of the framers of the British North America Act that some day there would be medical problems touching on almost every one of these items.

THE CHAIRMAN: Quite true.



DR. YOUNG: I turn now to page 6:

"It will be noted that public health is not mentioned in the British North America Act excepting in so far as the above mentioned Sections quoted from the Act may be said to be related to public health. Public Health as it is understood to-day, was unknown to the Fathers of Confederation, which no doubt explains why the Act fails to assign complete responsibilities in this field."

The next sentence, Mr. Chairman, we would rather leave out. We are not lawyers; we know practically nothing about law, and we are simply stating here what has been stated on several occasions. With your permission, the next sentence might be deleted.

THE CHAIRMAN: I do not think it is necessary to your argument, and so it may be deleted.

DR. YOUNG: I continue with the next paragraph:

"Because of differences of opinion as to legal interpretation of the British North America Act with reference to public health, the provinces did assume certain responsibilities in public health, and, up to the present, the Dominion authorities have shown no desire to interfere with what has been done. It does seem to us desirable, however, that the fields of responsibility in public health, as between the Dominion and the provinces, should be clearly defined.



## PROGRESS SINCE CONFEDERATION

"In order to understand how entirely the situation with regard to public health and the care of the sick has changed since Confederation, it would be wise to cite a few facts:

At the time of Confederation, the only diseases against which quarantine would be established, would probably have been smallpox, cholera, and bubonic plague.

There was as yet no definite knowledge of the bacterial origin of disease. The whole mass of knowledge of the cause and preventability of infection in wounds, what we now call sepsis, still had to wait for Pasteur and Lister, and their colleagues and successors.

Maternal mortality was shocking, rising very high at times, even exceeding 25 per cent. The cause of child-bed fever was still unknown.

The cause and hence the control of tuberculosis was still unknown. As late as 1900, the considered opinion of an eminent authority was that tuberculosis was the cause of one-half the sickness and one-third of the deaths in Europe.

The origin of typhoid and its controllability was not known until twenty-five years after Confederation.

Only emergency surgery was done and the death rate in all surgical operations was very high, the chief cause of death being septic infection. Anaesthesia had not yet become possible. There was absolutely no operative orthopaedic treatment for the crippled or deformed. The crippled children must remain crippled.





"Practically none of the elaborate equipment which leads to the establishment of an accurate scientific diagnosis had yet appeared. The hospitals at the time of Confederation were little better than poor boarding houses for the bed-ridden sick and though the hospital authorities did all that they then knew, often with a spirit of self-sacrifice and utmost kindness, the condition of the wards was terrible. The hospitals of that time resembled the present institutions only in name. They still considered it proper and kind and as comfortable as could be expected to put two or three public ward patients in one bed. Modern sanitation was unknown.

Naturally, the cost of operation of these institutions was low, probably averaging around 75 cents per patient per day.

Our knowledge of the nature of disease and of scientific diagnosis and treatment has increased more in this period than in the previous 500 years and naturally the cost of providing these services has increased along with the increase of accuracy and actual value of the services rendered.

While under the British North America Act the provinces were charged with the establishment, maintenance and management of hospitals, asylums, etc., it did not necessarily follow that provincial jurisdiction covered the whole field of health, because in 1919, the Dominion Health Act was passed which added to previous Dominion responsibilities in the field of health, the following:

- (1) Cooperation with the provincial, territorial and other health authorities, with the view to coordination of the efforts, proposed or



"made for preserving and improving the public health, the conserving of child life and the promotion of child welfare.

- (2) The establishment and maintenance of a national laboratory for public health and research work.
- (3) The supervision as regards public health of railways, boats, ships and all other methods of transportation.
- (4) The supervision of federal buildings and offices with a view to conserving and promoting the health of the civil servants and other government employees therein.
- (5) The administration of the following Acts:
  - The Quarantine Act.
  - The Public Works Health Act.
  - The Leprosy Act.
  - The Proprietary or Patent Medicine Act.
- (6) Such other matters relating to health as may be referred to the Department by the Governor General in Council.

The Dominion Health Act goes further, as in Clause 4 the duties of the Minister are defined as follows:

'The duties and the powers of the Minister administering the Department of Health, shall extend to and include all matters and questions relating to the promotion and preservation of the health of the people of Canada, over which the Parliament of Canada has jurisdiction.'





# "NEW PROBLEMS IN DISEASE

The Honourable Josephine Roche, Under-Secretary of the Treasury in charge of Public Health for the United States Government, has published some interesting figures from which we quote (The Lancet, Nov. 6, 1937, page 1097):

'(a) Fifty years ago, 94 per cent of all mortality from disease was from acute illness, chiefly infections.

'(b) Today, 75 per cent of all mortality from disease is from chronic illness.

Listed according to the death rates for which they are responsible, the ten most frequent causes of death are:

- Heart disease
- Cancer
- Pneumonia and influenza
- Cerebral haemorrhage
- Nephritis
- Tuberculosis
- Diabetes
- Diarrhoea and enteritis
- Appendicitis
- Syphilis'

While the foregoing statistics relate to the United States, it may be assumed with reasonable certainty that the figures will be applicable in a very large measure to Canada. Among the diseases quoted above, should lie, to a large degree, the great future of preventive medicine in public health. It is obvious, however, that no appreciable improvement can be looked for until the sources of diseases are recognized and eradicated. This can only be



"done through preventive health work which--

- (1) must include systematic physical examinations at all ages of life;
- (2) must take into account living conditions, habits of life and economic conditions;
- (3) must enlist every medical practitioner and all other health workers as part of the preventative forces of the country;
- (4) must provide for adequate diagnostic and laboratory services to all the people in our country.

We submit that the program suggested cannot be effectively carried out unless it becomes a nationally supported undertaking, enjoying some measure of guidance and support from the Federal Government acting through a strong Federal Department of Health.

#### RECOMMENDATIONS

We, therefore, beg to suggest that the field of responsibility for the Dominion in health measures should include:

(1) Those services now provided by the Dominion and for which the Dominion is legally responsible, as outlined in Section 91 of the British North America Act.

(2) Public health leadership through the further building up of a staff of such competence and recognized ability, within the Department of National Health, that their advice will be sought and accepted.

This would not require any change in the British North America Act, but it might imply a change in the point of view of the Dominion authorities, namely, a determination to give leadership and not to seek to avoid responsibility in public health by stating that it is a matter for the provinces. "



THE CHAIRMAN: Evidently from your observation you feel that admonition is necessary.

DR. YOUNG: Well, the Canadian Medical Association would suggest that. I continue at the bottom of page 9 of the brief.

"Leadership would mean the planning of methods whereby all citizens would have the full benefits of public health services, and the devising of ways and means to make such plans effective, such as establishing standards for the qualification of health workers. That such a suggestion is feasible has been demonstrated by the United States Health Services which has no legal control over matters of public health in the individual states, but whose leadership is recognized throughout the country because of the merits of its staff.

(3) The acceptance of the policy of making grants-in-aid to the provinces for province-wide public health activities, and, through the provinces, to local areas for local public health services. Such grants-in-aid should be given only when the province or local area demonstrates its ability to do a worthwhile piece of work, and, further, expresses its willingness to contribute to the cost in accordance with its own economic resources. Further, any such grants-in-aid should be contingent upon the piece of work being maintained according to standards for such work which would be established by the Dominion Health authorities.

Grants-in-aid should be offered for specific pieces of work, for example, to encourage programs for cancer control, venereal disease control, tuberculosis control, mental hygiene, maternal





"welfare, child welfare, nutrition, health education, housing and sanitation.

This suggestion calls for no change in the British North America Act, as the Dominion, some years ago, established a precedent by its grants-in-aid to the provinces for venereal disease control.

(4) Contributions to assist in research and such investigation as is directly related to the public health would be in line with progressive development. The best results are often most readily obtainable through the support of such research in centres where proper facilities and staff are already available, rather than in the creation of new facilities. Competent authorities in the health field throughout the world are unanimous in their opinion as to the great need and value of medical research. A Medical Research Council, as a part of the National Research Council, which would be available to assist in medical research throughout Canada, should be established."

THE CHAIRMAN: Does the Medical Research Council in the United States work independently of their National Research Council or does it work with them?

DR. YOUNG: If I understand your question, there is a federal Department of Health of the United States giving leadership in public health service, for example, in sanitation, the control of communicable diseases, health education, and in many other matters, but it does not over-ride, as I understand it, the activities of the various States.

THE CHAIRMAN: That was my understanding also. But have they any national research such as you are suggesting here in paragraph 4.



DR. YOUNG: I think Dr. Routley is more familiar with that than I am, and I would be very glad if he would answer that question.

DR. T. C. ROUTLEY: Mr. Chairman, medical research in the United States largely arises through benefactions from foundation funds, and it is carried on at a great many university centres. I am not familiar with any national movement there analogous to what is proposed here. We have in Canada a National Research Council to which reference has been made this morning, and our suggestion is that as a branch of that Research Council, medical research could play a very important part.

THE CHAIRMAN: Thank you.

DR. YOUNG: I proceed now (with paragraph (5) on page 10: "Financial support should be available for nationally organized voluntary health agencies in order that they may be assisted in their pioneer efforts in their various special fields, to educate the public and to gain support for official public health developments in a way in which the official Departments of Health cannot proceed by themselves. When once a piece of work is definitely proven and established by a voluntary organization, it would then seem appropriate for that work to be taken over and carried on by the official Public Health Department."

COMMISSIONER ANGUS: Dr. Young, can you give us any idea at all of the approximate cost that would be involved by the federal government taking over this work as you propose?

DR. YOUNG: May I answer that in perhaps a somewhat evasive way? There has been no forward step in medicine which has not saved this country thousands of dollars.





We need take only one example, that of typhoid fever. At the time of Confederation typhoid fever was a scourge which took thousands of lives and cost Canada millions of dollars, and it continued to cost Canada a great deal of money until science came to the rescue and practically swept typhoid out of this country. Where it exists now, it is through somebody's carelessness. That saved Canada a great deal of money, and research may save Canada countless thousands of dollars more. Every step forward that is made is a step forward not only for to-day and to-morrow but forever. It is money saved throughout. To-day we have two very serious medical problems--cardio-vascular disease and cancer. We will submit that Canada may save much in lives, in working days, and in money by doing the research work which is very necessary.

I have not definitely answered your question, Mr. Commissioner. It would not at the moment call for any expenditure of money, but rather for the laying down of general principles, and the future must be worked out as best as possible.

COMMISSIONER ANGUS: I was not questioning the value of the work that might be done, the wisdom of the investment, so to speak. I was rather concerned with knowing whether the proposals would involve an expenditure of one hundred thousand dollars, or one million dollars or ten million dollars. What would it run to in a general way?

DR. YOUNG: Once more, I have to say that we are not in a position to suggest any large expenditure of money or any small expenditure of money. Further on in this report there is a very definite recommendation that



a survey be made of this country by a Royal Commission, which would deal with just such things as that you have mentioned, with costs, expenditures and so forth. I do not know that I can give any better answer than that.

I continue now at the bottom of page 10:

DEPARTMENT OF PENSIONS AND NATIONAL HEALTH

"As previously indicated in this report, there was established in Canada in 1919, under the provisions of the Dominion Health Act, a Department of Health. Subsequently, it was merged with Pensions. We desire to offer the following observations and suggestions with respect to the Department of Pensions and National Health:

There does not appear to us to be any logical connection between Pensions and National Health, although it is recognized that both are of great national importance. It appears to us that national health suffers through being linked with a large spending department which must of necessity absorb the major portion of the time of the Minister and his Deputy."

(Page 3,000 follows)



"A cursory examination of the finances of the Department would indicate that, in outlay, Pensions represents more than fifty times the amount expended in Health. National Health should be big enough and important enough to stand by itself. Should it, however, not be found feasible for it to enjoy individual status, it is most desirable, and indeed essential, that it be headed by a full time Deputy Minister who, through qualifications and administrative ability, is competent to give direction to one of the most important phases of Government.

We believe, further, that consideration should be given to the inclusion in National Health of Public Health and medical care services now provided by other Departments in the Federal Government. We are not suggesting at the moment that all such services should be transferred to the Department of National Health, but we do recommend that a careful examination as to the propriety of their being so included should be made, and, unless there is found to be good reason to the contrary, it would appear to be desirable that all government health activities be incorporated in the Department of National Health."

I should like to have Dr. Routley handle the next section, with your permission.

DR. ROUTLEY: 'Mr. Chairman and Gentlemen, I shall with the next section.

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MEDICAL CARE OF THE CASUAL AND CHRONIC  
UNEMPLOYED

"No man, woman or child in Canada today need be deprived of food, fuel, shelter and clothing."

COMMISSIONER ANGUS: Have you a standard of nutrition in mind when you speak of food? Is it minimum food?

DR. ROUTLEY: Mr. Chairman, at the present time that is rather an acute problem in Canada. One of our branches, the largest branch we have, the Ontario Medical Association, some three years ago did define standards of nutrition for relief recipients. These standards were accepted as reasonable by the government of the province.

More recently there has been established under the auspices of the federal government, in the Department of Pensions and National Health, an advisory committee on nutrition; and it would appear that in harmony with the expressed views of the League of Nations that nutrition is to assume a very important place in Canada in the future, we of the Canadian Medical Association believe there should be minimum standards below which no relief recipient should be expected to go.

COMMISSIONER ANGUS: I mean, does this statement imply the existing relief is giving adequate food to the recipients?

DR. ROUTLEY: Mr. Chairman, I fear that that question is beyond my competence to fully answer. It is a debatable question, and if we may judge by the reports in the press, there are certain social workers who feel that in parts of Canada the food being supplied relief recipients is not adequate; but on that point I am not qualified to speak.

THE CHAIRMAN: You are not making any representation in this brief as to the existing standards?



DR. ROUTLEY: No, sir. I continue with the brief:

"The Dominion Government, by subsidy to the provinces, has established this as a definite national policy. It is true that, while this may be regarded as a relief measure, particularly during the past few years of severe economic depression with its consequent unemployment, -- it may be argued without fear of contradiction, that, so far as Canada is concerned in the future (whether speaking nationally, provincially or municipally) the provision of food, fuel, shelter and clothing to those of our citizens who cannot provide these essentials for themselves, is assured.

But, for those same unfortunate people, another necessity of life which, in our judgement, is just as essential as food, fuel, shelter and clothing, is medical care; and yet, for this necessity the Federal Government has assumed no responsibility, and, therefore, the provision of medical care to the unemployed and the indigent is in some of the provinces entirely inadequate, if indeed not entirely absent, the recipients of general relief being dependent for medical care upon the charity of the medical profession. It does seem to us illogical to say to an unfortunate individual or family, the Government will provide you with a house and fuel to keep you warm, clothing to keep you covered, and food to sustain you, but, if you have the misfortune to become ill, then you must take your chances of living or dying, because so far as the Federal Government's responsibility goes; it washes its hands of the whole matter. It, of course,





has been argued that medical care of relief recipients is a responsibility for the municipality. Such an argument, while perhaps technically correct, does not meet the situation because many municipalities, particularly in Western Canada where economic conditions during the past several years have been deplorable, are just as unable to provide medical care for their people as they are to provide food, fuel, shelter and clothing. It is a well-established fact in several lands that disabling illness among persons who are unemployed and on relief, is very much higher than among a similar number of persons gainfully employed. On humanitarian and economic grounds, medical care of the unfortunate citizens who cannot provide medical care for themselves because of unemployment or indigency should be clearly defined as an obligation of the State, and certainly not as an implied obligation of the medical profession. While it is our opinion that this obligation should be assumed by the Federal authorities, that is not so much our concern as that a definite decision should be arrived at with regard to where the responsibility lies and that adequate provision should subsequently be made for medical care to be provided along with food, fuel, shelter and clothing.

Now, having stated the broad principle of responsibility, to whom should this apply? In our judgement the State should be responsible for the provision of medical services to the unemployed, the indigent, war veterans receiving Federal Department relief, war veterans on War Veterans' Allowances, old age pensioners, mothers and their



children in receipt of Mothers' Allowances.

We cannot believe that the Canadian public either expects or desires the medical profession to provide gratuitously for services which, obviously, are an obligation resting upon the State as a whole. Most respectfully do we suggest to this Royal Commission that, on the facts stated, it be recommended to the Federal Government that medical services for those referred to in this section of the report, be made a responsibility of Government."

THE CHAIRMAN: Dr. Routley, this particular matter was brought to our attention at our sittings in Winnipeg and Regina. I refer to the "reasonable conditions" you mention in this section of your brief. I suppose there is no estimate in existence as to what the probable expenses would be for the services?

DR. ROUTLEY: The probable expense?

THE CHAIRMAN: Yes.

DR. ROUTLEY: Well, I might perhaps throw a little light upon it. At the present time the government of the province of Ontario is providing 35 cents per capita per month for medical care to relief recipients. This money is turned over to the organized medical profession in that province, namely the Ontario Medical Association, by which it is administered.

For this amount of money the Ontario Medical Association, through its membership, undertook to provide general practitioners medical service to these people. Now, nothing was allowed for surgical or specialized services such as x-ray and so on; it is merely the general practitioners' service relating to care in the home of the recipient or at the doctor's



office, and including confinements.

One can see, Mr. Chairman, that this is a very inadequate service; it merely touches upon just what might be called emergencies of medical care. The Ontario Medical Association pays this money on a pro rata basis. The Medical Profession administer their services in the routine way. They submit their accounts on the normal tariff to the association and then, as I say, on a pro rata basis their accounts are paid. Doctors have been receiving from 20 per cent to as high as 60 per cent of their normal fees for that work, on the basis of 35 cents a month. I should add that six cents is deducted for drugs; so the doctors are receiving a net of 29 cents per person per month, which is less than \$3.60 a year for general practitioners' work.

THE CHAIRMAN: \$3.50?

DR. ROUTLEY: Yes; for which they are providing general practitioners' services. And they are receiving, as I say, an average of less than half of their fees.

COMMISSIONER D'FOE: Is the problem dealt with in other provinces along parallel lines?

DR. ROUTLEY: I am sorry to say, Mr. Chairman, and Dr. D'foe, it is not dealt with in other provinces in a similar manner. In the province of Manitoba the city of Winnipeg and some of the other centres have treated the medical profession in a manner somewhat analogous to what I have outlined for Ontario, and in certain other provinces a few cities and towns have been treating them similarly. But I know of no other province which deals with the problem on as wide a basis, or has tackled it in the way in which Ontario has done.

THE CHAIRMAN: Thank you.







DR. YOUNG: I shall deal with the section following.

#### HEALTH INSURANCE

" The world is looking for security. In order to achieve it, nations are uprooting old traditions and customs, overthrowing governments, spending billions of dollars, in fact doing everything and anything which in the opinion of those in authority will bring about something approaching an earthly Utopia where mankind may live in perfect peace and security. This quest envisages many changes, economic, social and political. Fortunate, indeed, is that country where sound thinking and leadership guide the people along the path of evolutionary changes, in contrast to the land where power and authority are the products of revolution. We are happy to think that we live in a land where sound thinking and statesmanlike leadership still prevail, and where those changes which may be necessary to provide better living conditions, greater protection, a proper share of the necessities and luxuries of life for all the people, will be the products of sound evolutionary progress.

In this forward march for social security there would appear to loom on the horizon a demand for health preservation which merits most earnest consideration. A great many people, both within and without the medical profession are looking for a solution of the problem which will guarantee complete medical service to all the people on the principle of adequate payment for adequate service.

There are many students of sociology who claim that health insurance is the answer to the



problem. The subject is one which has engaged the attention of the Canadian Medical Association for a number of years. Study committees representing all parts of Canada have had the subject under review most intensively. Our General Secretary, during the past year, visited several European countries expressly for the purpose of seeing health insurance in action.

Bismark introduced health insurance into Germany in 1883. Lloyd George introduced health insurance into Great Britain in 1911. Health Insurance is in operation in more than forty countries of the world, where benefits of proven value are available to middle class persons. In considering the possibility of health insurance for Canada, we find that there is no information available in our country at the present time, showing --

(a) the feasibility or otherwise of establishing a national scheme of health insurance to provide adequate health services for those who cannot provide such services for themselves;

(b) statistics of proven morbidity rates in the class of people who might be regarded as the population to be insured.

(c) the extent at the present time to which the class of people to be insured is inadequately served, due either to lack of available facilities or inability to pay for services.

On April 25th and 26th, 1955, there assembled in Ottawa, under the Chairmanship of the Honourable Dr. Donald M. Sutherland, Minister of Pensions and National Health for Canada, the first meeting of the Ministers of Health for Canada, with the



the Ministers of all the provinces present or represented with the exception of Quebec. In addressing the conference, the Honourable Dr. Sutherland pointed out that it seemed to him that references to public health in the British North America Act were indeed vague. He spoke on public health at the time the British North America Act came into existence and compared it with the marvellous advances which had taken place between that time and the date of the conference. In further reviewing the activities of the Department of Health, he expressed the opinion that a worth while purpose would be served if a Royal Commission were appointed by the Dominion Government to make a survey of health matters in Canada. The Conference, in dealing with the proposal, received and passed unanimously the following resolution:

"WHEREAS the Honourable the Minister of Health for Canada has proposed to this Conference that a Royal Commission be appointed to examine into the whole question of medical services to the people of Canada;

AND WHEREAS such a Royal Commission would be in a position to secure information of great value to the people of Canada;

BE IT RESOLVED that this Conference approves of the suggestion of our Chairman that such a Royal Commission be appointed."

Subsequently, the Right Honourable R.B. Bennett, then Prime Minister of Canada, included in the speech from the throne a statement to the effect that the recommendation recited in the





foregoing resolution would be implemented should his Government be returned to power. In the General Election of 1935, the Government was changed, and, to this date, no action has been taken on the recommendation.

At the Sixty-sixth Annual Meeting of the Canadian Medical Association, held conjointly with the American Medical Association in Atlantic City, N.J., June 10th to 14th, 1935, the Canadian Association dealt with the subject of health insurance, and the following resolution was passed:

WHEREAS it has been brought to the attention of this Council that the Ministers of Health for Canada, meeting in Ottawa, proposed that a Royal Commission be appointed to make a survey of Canada in respect to the health services of Canada;

BE IT RESOLVED that this Council heartily approve of such a survey being made, and that the Commission be given the widest possible powers; AND FURTHERMORE we respectfully submit that, before any scheme of health insurance be enacted in any part of Canada, it would be the part of wisdom to see that such a survey has previously been made.

There followed two additional resolutions which are recited hereunder:

- (1) That a copy of the above resolution be sent to the Provincial Medical Associations for their information, with a covering letter stating that, while the Canadian Medical Association has neither the desire nor the authority at this time to



make any pronouncement for or against health insurance, Council feels that the above mentioned resolution would be of definite value to any part of Canada, as indicating the opinion of Council with regard to the principles underlying any possible plan of health insurance.

- (2) That the General Secretary be instructed to send a copy of the resolutions quoted above to the Honourable Minister of Health for Canada and to the Ministers of Health for the nine provinces.

It was further resolved as follows:

That, in the event of health insurance being initiated by any authority in any section or area of Canada, the Canadian Medical Association endorse the principles governing a health insurance plan as laid down in the Report of the Committee on Economics, which we quote hereunder:

1. That in the provinces where health insurance is established it be administered under an independent Health Insurance Commission and that there should be close cooperation between this Commission and the Provincial Department of Public Health with a view to making full use of preventive services.

2. That a Central Health Insurance Board and Local Insurance Boards be appointed, representative of all interested to advise the responsible administrative authority.

3. That the professional side of Health Insurance Medical Service be the responsibility



of the organized medical profession through the appointment of a Central Medical Services Committee and Local Medical Services Committees to consider and advise on all questions affecting the administration of the Medical benefit.

4. That the question of the establishment of local areas for health insurance administration be left to the decision of the individual provinces.

5. That the whole province be served by adequate Departments of Public Health, organized on the basis of provision of individual health supervision by the health insurance general practitioner.

6. That there be a Health Insurance Fund and that "Regional Officers", to act as supervisors and referees be appointed, paid and controlled by the Central Board or Commission.

7. That medical care for indigents be provided under the Plan, the government to pay the premiums of the indigent, who then receive medical care under exactly the same conditions as the insured person.

8. That the Plan be compulsory for persons having an annual income below a level which upon investigation by competent local authorities proves to be insufficient to meet the costs of adequate medical care.

9. That the dependents of insured persons be eligible for the medical benefit.

10. That there be offered, on a voluntary basis, to those with incomes above the health insurance level hospital care insurance, and that





this be administered as part of the Health Insurance Plan, such hospital care not to include medical service other than hospitalization.

11. That the only benefit under the Plan be the medical benefit.

12. That the medical benefit be organized as follows:

(a) Every qualified licensed medical practitioner to be eligible to practise under the plan.

(b) The insured person to have freedom of choice of medical practitioner and vice versa.

(c) The medical service to be based upon making available to all a general practitioner service for health supervision and the treatment of disease.

(d) Additional services to be secured ordinarily through the medical practitioner.

(1) (a) Specialist medical service.

(b) Consultant medical service.

(2) Visiting-nurse service (in the home).

(3) Hospital care.

(4) Auxiliary services -- usually in hospital.

(5) Pharmaceutical service.

(e) Dental service, arranged direct with dentist or upon reference.

13. That the Insurance Fund should receive contributions from the insured, the employer of the insured and the government.

(a) Payment of the premium of the insured in certain proportions to be determined, should be made by the employee, employer



and government.

(b) Where an insured person has not an employer or where it is not practical for the government to collect from the employer the government should pay in for that insured person what would be the employer's share as well as its own share of the premium.

(c) Where the insured is 'indigent' or has been out of work long enough to come without the scope of the provisions of the Act as relating to an insured employee the government should assume payment of the full premium.

14. That the medical practitioners of each province be remunerated according to the method or methods of payment which they select.

15. (a) That the Schedule of Fees in any Health Insurance Scheme shall be the Schedule of Fees accepted by the organized profession in the province concerned.

(b) That all Schedules of Fees be under complete control of the organized medical profession in each province.

16. That the contract salary service be limited to areas with a population insufficient to maintain a general practitioner in the area without additional support from the Insurance Fund.

17. That no economic barrier be imposed between doctor and patient.

18. That the volume of work demanded from and the remuneration to members of the various professions be such as to assure a standard of



service equal to or better than present-day standards."

I may say that the report of the Committee on Economics is a very long one, covering about forty pages of double column print. In an endeavour to set down these principles we have left out some context that would perhaps be necessary to a complete understanding of all of them. For instance, in regard to item No. 17, the report deals with it in this way:

"Arguments are advanced in favour of requiring some payment by the insured for each illness to prevent abuse of the medical benefit.

This is not viewed sympathetically because the main objective is to remove any economic barrier which now keeps doctor and patient apart."

Perhaps item No. 15 in regard to schedule of fees may seem somewhat autocratic. The Canadian Medical Association is not anxious to be thought autocratic in laying down certain principles. We are quite ready, I am sure, to cooperate with the Commission in any scheme of health insurance, and to do the best that can be done in the circumstances.

THE CHAIRMAN: I should think, Doctor, it would be difficult in any health insurance plan in which the government may be responsible for providing a very substantial portion of the funds to leave the question of fees wholly to the profession, honourable, upright and moderate as the profession may be in that respect. I should think parliament would not readily consent to have public money spent to provide services over which there was no control or regulation.





DR. YOUNG: I think, sir, that while item 15 stands in this way, the past here and in other countries has shown that the medical profession is quite willing to cooperate in every possible way with what is finally judged to be the best solution to the problem of giving medical service.

DR. ROUTLEY: May I be permitted to offer one observation, lest there be any misunderstanding. That statement of fees means the arrangement of distribution of the amount of money available shall rest with the profession. To illustrate, they will not allow one individual to say, for my services I shall charge X dollars and, another one say for my services I must be paid 10X dollars. That, is there shall be some understanding within the profession itself as to the schedule.

THE CHAIRMAN: That modifies the statement a good deal. You mean that in case there should be any health insurance scheme, the grant of public money which may be appropriated for medical service shall be in a measure controlled within the profession as between the different members of the profession with regard to the remuneration they should receive.

DR. ROUTLEY: That is right, sir.

COMMISSIONER DAFOE: The scheme envisaged here is based upon some extension or adaptation of the principle adopted in Ontario; is that so? Does the suggestion you have in mind mean that the State may make contributions of money which the doctors can divide among themselves?

DR. ROUTLEY: No; in the province of Ontario the plan to which I refer is merely called a medical relief service. I think it would be an error to refer to that in any sense as a health insurance scheme, even in part. It



is a relief measure for medical care; but we do feel that whatever amount of money may ultimately be available under a health insurance scheme the medical profession should be regarded as capable of assessing the relative value of the services rendered by its members. That is what we mean by "a schedule of fees".

THE CHAIRMAN: In the event of health insurance being adopted, do you see any objection to it being a provincial proposition as against a dominion proposition? Would it have to be a dominion proposition to be effective? Or would it be equally advantageous to have it a provincial proposition?

DR. ROUTLEY: May I be permitted to pass that question to our Chairman, Dr. Young?

DR. YOUNG: Undoubtedly, the problem would differ in different provinces, and each province would have to have control of its own problem. On the other hand, the federal government is in a position to find out what the cost might be, what the need might be, what the best plan might be, in a general way with modification from various provinces. I believe that such a survey as recommended would find out a great deal about the underlying principles that must intervene. At the same time it is not suggested here for a moment, no matter how many of us may feel personally that health insurance should be a national scheme -- the Canadian Medical Association probably would not be unanimous on that point; but even while some of us may feel that a national scheme is an ideal scheme, I do not think that many members of the Canadian Medical Association would feel that the federal government should in any way control the provincial activities in the matter.

COMMISSIONER ANGUS: There is another question that





is rather closely allied to that. We have had a good many requests made to us indicating that the dominion should take over relief. In the earlier part of this brief medical services and relief are put on the same plane as food, shelter and clothing. Would you, in the event of the dominion government assuming responsibility for relief expect that it would add medical relief, and perhaps leave the field of insurance to the provinces to be covered by measures that would affect the groups not on relief, the people who are indigent, so that there would be different systems for the two. I notice the plan outlined in these recommendations contemplates the same scheme covering the indigent and those who contribute. On the other hand, if the approach is made by way of relief, which is suggested earlier, one would get a different result.

DR. YOUNG: Perhaps I am not clear in regard to your question. Relief, as I understand it, has to do with measures taken to deal with an emergent situation. The indigent we always have with us. In these principles it is certainly stated that the care of the indigent should be a part of a health insurance scheme. That, I think, is clear. The brief does not say that the responsibility for the medical care of certain people should not be a dominion responsibility. I am just a bit confused. What I intend to say is this: The brief does not place the responsibility for medical care on the federal government. It does suggest, however, that the place where the responsibility should be determined.

COMMISSSIONER ANGUS: Yes. With that point I am in agreement. What I meant was this. On page 12 you say: "The state should be responsible for the provision of medical services to the unemployed, the indigent --- "





and so on.

DR. YOUNG: The term "state" --

COMMISSIONER ANGUS: That doesn't say whether "provincial" or "dominion".

DR. YOUNG: The word "state" is made in a very broad sense; it may be provincial or dominion.

COMMISSIONER ANGUS: Then, building on that I pointed out that we have been asked to say that the dominion should assume -- I do not mean by this association, but by others who presented briefs --- the full cost of unemployment relief, and perhaps in some cases the relief of <sup>un</sup>employables. My question is, if the dominion took over the full cost of unemployment relief would you expect then that you might have one authority dealing with the unemployed and their medical services as part of their relief and another authority, the provincial authority dealing with the other indigents and the rest of the community. Would you look on that as a satisfactory solution, or as one that would present very great difficulties?

DR. YOUNG: Frankly, Mr. Chairman, I am not prepared to answer that question at the present time. There again I think we have an argument in favour of a Royal Commission to inquire into all the facts. That brings us, I think, to the last page, which I should like to read.

"From the foregoing, the position of the Canadian Medical Association in respect to health insurance may be summarized as follows:

- (1) The Canadian Medical Association has not authorized an expression of opinion either in favour of, or opposed to, the institution of health insurance in Canada; but, in the event of some plan being proposed, the Association has set forth what it believes



to be necessary guiding principles.

- (2) It is our opinion that, before health insurance is applied in any part of Canada, a survey, as recommended by the Honourable Minister of Pensions and National Health for Canada in 1935 and approved by the Conference of Ministers of Health from the several provinces should first be carried out.

We are in a position to state that, should such a survey be undertaken, or should constituted authority engage in any other study looking to a solution of the problem of the provision of medical services to the people of Canada, the Canadian Medical Association will be happy to render to such bodies as may be entrusted with the examination of the facts, all the facilities at its command."

May I make one comment on these principles that emerged from the study of our Committee of Economics? You will notice that it says that these principles were adopted at the meeting of the Canadian Medical Association in 1935. I should say that there have been minor amendments to these principles in 1936 and 1937; but the changes are so slight as to make practically no change in the principles as we set them down here. I continue with the recommendation.

#### RECOMMENDATION

"We hope that this Royal Commission on Dominion-Provincial Relations may find it within its jurisdiction to recommend that a survey be made, as proposed in 1935 by the Honourable Minister of Pensions and National Health for Canada, before health insurance is undertaken either as a Federal or a Provincial matter."



COMMISSIONER ANGUS: There is a real difficulty there. Desirable as such a survey no doubt is, we may have to make a recommendation before such a survey can be undertaken. We may have to make a recommendation clearing up the point you have asked; that is to say, who is to have legislative authority, or how is that service to be allocated? It may be very difficult to wait until a further long study is made before such a question can be dealt with. The possibility would be that the province should have authority or that the dominion should have authority, or that a third one, which was suggested yesterday to the effect that both should have authority, the dominion to prevail if there was any conflict in their decisions. Could we have any help at all from a recommendation that there should be a further study before this question can be decided?

DR. YOUNG: I think it is quite possible that a great deal of information, which would help in deciding that question, would be gained from a survey.

COMMISSIONER ANGUS: Yes; I can see that, but suppose we have to decide it first.

THE CHAIRMAN: This commission, you suggest would not make its report until the following year. In the meantime, we are supposed to pass upon the question of where the jurisdiction should be, as Commissioner Angus has pointed out. We are supposed to say whether the jurisdiction should be dominion, provincial or concurrent.

DR. YOUNG: I am not sure which comes first, the front or the back. I should be glad to get Dr. Routley's help in answering that question, because he is more familiar with the details than I am.







THE CHAIRMAN: Mr. Angus has not asked about the details of the scheme; he is asking only about the question of jurisdiction. Has your council any view as to where the jurisdiction to set up such a health insurance scheme should be vested, whether in the dominion, the provinces, or concurrent.

DR. YOUNG: I cannot say definitely. Perhaps Dr. Routley, who has greater familiarity with the report of the Committee on Economics, could answer that question.

DR. ROUTLEY: Mr. Chairman, may I respectfully submit that the two questions are not entirely confluent. Medical relief is very dissimilar to any form of health insurance which can be envisaged. In the first place one is entirely the matter of state payment, while the other is an insurance premium. Now, I can see no difficulty at all with respect to your body determining as to whether or not medical care for relief recipients should be a part of governmental responsibility. Granted that you felt that it should be included with fuel, food, shelter and clothing, and granted too that in whole or in part the federal authorities would take over the responsibility of relief, then what would the situation be?

THE CHAIRMAN: That is not the question Commissioner Angus is concerned with. We agree there is a division between the two. Assume we are dealing with relief as a matter wholly independent of public health insurance. The problem Commissioner Angus presented was this: We shall be asked to report on the question of whether public health insurance falls under dominion jurisdiction, provincial jurisdiction, or under both. It was on that point that he was asking if your association could give us help.



DR. ROUTLEY: Mr. Chairman, I would have to answer that question in this way: If we could give you help that was of real value I am afraid we would not be suggesting that a Royal Commission be appointed, because that is one of the main purposes, as I see it, justifying the suggestion of a Royal Commission.

THE CHAIRMAN: The answer is you cannot help us at this time.

DR. ROUTLEY: Right, sir.

COMMISSIONER ANGUS: I will ask you one more question. Suppose you have your Royal Commission, and suppose it makes recommendations that are clear and precise, but which are not accepted by all the provinces, and one province wants health insurance and another does not want it. When I turn to page 13 of your brief I see you say:

"There are many students of sociology who claim that health insurance is the answer to the problem."

Suppose one province says, "yes, that is the answer to the problem; we want to try it." But a majority in the dominion say, "we are not so clear about it; we think we ought to postpone it." In your view, should that province be left free to go ahead and make the experiment, or should it be prevented by law from doing it?

DR. YOUNG: If you ask me to speak for the Canadian Medical Association I must say I do not think I can; and yet, I feel, that where there is an ideal goal to be reached such difficulties as you suggest would not arise. I think that if the province, even after a survey had been made and the decisions had been reached, or certain findings had been made, wished to go ahead with health insurance, no federal authority would stop that province.



COMMISSIONER ANGUS: Thank you very much.

DR. YOUNG: I come now to the section headed conclusions.

#### CONCLUSION

"In conclusion, the Canadian Medical Association desires to express its appreciation to this Royal Commission for the privilege of presenting this brief. In company with the vast majority of Canadian people, it is our very sincere wish that the findings and recommendations of the Commission may be productive of subsequent legislation which will carry our country a step further toward the realization of the ideals of the Fathers of Confederation, that Canada should in truth be a nation."

BY MR. STEWART.

Q. On page 9, Dr. Young, in the last paragraph you refer to the United States Health Services. Can you tell me what those are? A. It is really the United States Public Health Services. That is the right title. That is the body which is known as the Federal Department of Health of the United States.

Q. A somewhat similar phrase appears in the second line of the paragraph as follows: "Full benefits of public health services." Just what are those? What have you in mind by that expression? A. That has no definite relation to the title or name of the body in the United States.

Q. Can you give me what content you ascribe to that phrase? A. Of course, we have at the present time various public health services. We have the protection of people against contagion, against infection. -- there are various measures. We have vaccination and sera in use, and we







have public health education. The term is so broad that it includes everything which is intended to promote and improve the health of the people. I do not think it has any specific meaning other than that.

Q. On page 11 you are suggesting that consideration <sup>to</sup> be given the transfer to the National Health Department of public health and medical care services now provided by other departments in the federal government.

Have you a list of what these are? A. I think there are several, I recall two particularly. In the Department of Justice we have medical services to the penitentiaries; in the Department of Agriculture we have meat inspection in abattoirs. There might be some question as to the health of Indians as handled by the Department of Indian Affairs, but the other two are definitely concerned with activities --

Q. These are the particular ones you had in mind?

A. Yes.

Q. On the top of page 12 you refer to the fact that in several lands illness has been greater among those unemployed and on relief. Has any study of that been made that you are aware of referring particularly to Canada. A. No, Mr. Stewart.

Q. Therefore, no statistical information is available.

A. We have no statistics. It is very important that we should have these statistics, too.

COMMISSIONER ANGUS: I believe we were told in Winnipeg it was the other way round; that the people on relief were healthier than those not on relief. That may mean the people just above the line were getting along on an inadequate income.

DR. YOUNG: I cannot say, Mr. Chairman.

MR. STEWART: Now, let us turn to page 16. Has



your recommendation 15 been accepted by the provinces in the administration of workmen's compensation acts?

DR. YOUNG: I cannot say as to that.

DR. ROUTLEY: No.

DR. YOUNG: I do not think so.

BY MR. STEWART.

Q. Dr. Young, has recommendation 17 been approved?

A. That has been approved by the Canadian Medical Association and has been considered and approved by the various provincial associations. I hope I made it clear what I meant by that. If a man is sick and he has to pay even a small amount of money in order to get attendance by a doctor. That small amount of money, in certain cases, may be an economic barrier between him and the doctor. That is the meaning intended here.

Q. I was just wondering if the experience of the profession in the working of the Workmen's Compensation Boards in the various provinces was what inspired the inclusion of any of the recommendations in your brief.

A. It was part of the study, of course. I would not say to what extent the study of the various Compensation Board activities had to do with the principles that were laid down here. <sup>Q/</sup> At the bottom of page 13 and at the top of page 14 a reference is made to a meeting of the Ministers of Health from the provinces, and to a resolution of the Canadian Medical Association with reference to a survey. I want to call your attention to Chapter 38 of the Acts of 1935; that is the Employment and Social Insurance Act, Sections 39 and 40, impose upon that commission the duty to "assemble ... information and data concerning any scheme or plan whether of state, community or other scheme or plan for any group or class



of persons and whether in operation or proposed in Canada or elsewhere of providing on a collective or on a cooperative basis by means of insurance or otherwise for medical, dental and surgical care, including medicines, drugs, appliances or hospitalization." That is, the power there vested in the commission was somewhat along the lines that your association had in mind in passing the resolution of 1935.

A. Did I understand --

Q. Perhaps you would care to look at it, 39 and 40.

A. That is an act passed in 1935?

Q. Just two months after the meeting with the

Hon. Dr. Sutherland.

A. Well, now, I am not familiar with this act, and I have never heard of any activity on the part of the commission appointed under this act. Is such a commission in existence?

Q. That legislation was under judicial review, and no action was taken under it. No action has been taken on the recommendation. You say in the concluding words of the first paragraph on page 14, "no action has been taken on the recommendation. I am just suggesting that is a partial implementation of your recommendation, although nothing has been done by the commission under it.

A. What you mean is that something followed in words.

Q. Yes, in legislation.

A. But that legislation

has not become operative.

Q. No. I just merely asked the question to show that the matter has not been lost sight of.

DR. ROUTLEY: What we meant, Mr. Stewart, by the words "no action has been taken" relates in its entirety to the resolution of the Ministers regarding a Royal Commission.

THE CHAIRMAN: Have you anything further, Mr. Stewart?

MR. STEWART: Nothing further.







THE CHAIRMAN: I have one question. You refer to the importance of research, particularly in heart disease and cancer, and your association suggests the establishment of a branch of the National Research Bureau to deal with health matters. Were there not some steps taken under the King George V Memorial Fund in regard to cancer research?

DR. YOUNG: Yes, sir; in addition to that recently steps have been taken to form an associate committee on medical research in connection with the National Research Council. It is hoped that out of that committee when it is formed, and we hope it will be formed in February, will perhaps emerge a National Council for Medical Research.

THE CHAIRMAN: For the moment my recollection does not serve me as to the cancer research in the King George V Memorial Research Fund. How is that being administered, under special trustees or under the Medical Association?

(Page 3030 follows)



FR. YOUNG: The fund of course is under the control of a board of trustees. The Board of trustees have not dissipated the fund but they have given to the Canadian Medical Association what is practically the annual interest on it, \$14,000.

With that there are two obligations. The Canadian Medical Association is obligated to set up within its own organization a plan for the intensive study of cancer in all hospitals of 100 beds, and there are other features of the plan which the Canadian Medical Association is obliged to carry out.

The other obligation that has been imposed upon the Canadian Medical Association is this. It is held responsible for the initiating of the national body or national association for the control of cancer in Canada. That national body will be made up of laymen and doctors and will be organized along the lines of the Imperial cancer campaign.

So that while the trustees of the fund have not spent any of the capital they have initiated two programs which it is hoped will do a great deal of good in the control of cancer; and it is hoped particularly that the national organization will augment the fund, or at least render available for all purposes connected with the control of cancer a considerable amount of money.

THE CHAIRMAN: I asked the question in order to get your opinion as to whether, with that as the basis, it is not likely that a cancer research fund will be built up which will meet the situation, instead of going to the expense of establishing an additional branch of the

National Research Council so far at least as cancer is concerned.



DR. YOUNG: It is hoped that ~~the national organization~~ of laymen and doctors will be able to contribute eventually a considerable amount of money for cancer research. At the same time those associated with the medical research which it is proposed to establish in connection with the National Research Council will cooperate and perhaps be able to bring a great deal of influence to bear in the matter of cancer.

EXHIBIT No.103: Brief submitted by the Canadian Medical Association.

MR. ST.LAURENT: Perhaps the brief of the Canadian Hospital Association might be marked at once as Exhibit No.104. It is merely filed; no one desires to be heard by the Commission.

EXHIBIT No.104: Brief submitted by Canadian Hospital Association.

THE CHAIRMAN: The next brief on the list is that of the Single Tax Association of Canada.

BRIEF SUBMITTED BY SINGLE TAX ASSOCIATION  
OF CANADA.

MR. G.B.BAGWELL(Counsel for the Single Tax Association of Canada): Mr. Chairman, I have associated with me in the presentation of this brief Mr. J.H.L. Patterson, the President of the Association.

The Single Tax Association is an organization founded many years ago, which has been maintained for the purpose of promoting the understanding and application of those principles which its members believe should govern the raising of public revenue, in other words, those principles that should govern taxation.

The Association is cognizant of the fact that there are many important questions before this Commission, and our submission is that one of the most important matters which the Commission will have to determine is the question





whether or not taxation as at present allocated and imposed is as equitable and efficient as it can be.

THE CHAIRMAN: That is about as large and difficult a problem as any Commission could be asked to deal with, Mr. Bagwell.

MR. BAGWELL: I quite agree with you in that regard, Mr. Chairman. In our brief we have submitted reasons and evidence to show that the present system of taxation is not as efficient and equitable as it can be, and that unemployment and recurring periods of apparent prosperity, with long periods of depression following, are the result of an unethical and improper method of taxation followed by federal, provincial, municipal and all other taxing bodies.

In the brief we have suggested a remedy and we have also given therein instances of the successful effect which that remedy has had in other countries where it has been at least partially applied.

On page 3 of the brief and following pages we set out our criticism of the methods of taxation now in practise. On page 3 you will see that we have set out there, copied from the dominion's estimates for the fiscal year 1937 -- we thought that we might have had an opportunity to present the brief in 1937 -- a summary showing the taxation imposed by the federal government, and the way in which its revenue for the year 1937 was to be raised.

I propose to deal with only two items there, customs duties and sales tax. As regards customs duties, the following is our criticism:

" Customs duties necessarily increase the price of imported commodities to the consumer



"by an amount in excess of the amount collected by the government. Wholesalers and retailers add for profit a percentage of the cost of the commodities varying among different classes of goods. It is impossible to obtain accurate figures as to the amount of this percentage covering all classes of commodities, but to estimate an average wholesale markup of 20 per cent and a retail markup of  $33\frac{1}{3}$  per cent would be conservative. On p.2684 of the Report of the Price Spreads Commission numerous examples of much higher markups are given; furthermore, part of the imports are for manufacturers' use, so that a manufacturer's markup must in many cases precede the other two.

On the conservative basis mentioned the cost of to the ultimate consumer would be:

Customs duties.....	\$90,000,000
Wholesaler's markup.....	18,000,000
	<hr/>
	\$ 108,000,000
Retailer's markup, $1\frac{1}{3}$ of above	36,000,000
	<hr/>
Total cost to the consumer	\$ 114,000,000

being \$54,000,000, or 60 per cent in excess of the amount returned to the treasury."

So that a method of taxation such as this, which realizes to the treasury of the country \$90,000,000, has the ultimate effect of taking another \$54,000,000 from the consuming public. It increases the cost to the consuming public by that amount because both the wholesale and the retail markup are on that basis. The result of that is obvious





as set out at the top of page 4. We say:

" This enhancement in cost necessarily lessens the volume of such goods which the consumer is able to buy, and lessened demand is a contributory cause of unemployment. It will be shown later (sec.C,No.3) that it is not the fundamental cause. But the fiscal policy of the dominion and the provinces being in other respects such as to cause unemployment, the imposition of customs duties necessarily aggravates the evil."

As we say there, it is not the fundamental cause, but it is undoubtedly one of the main contributory causes.

Another objection to customs duties as a mode or method of raising revenue is that they afford an opportunity for domestic producers, if well organized, and if they present their case with vigor, to procure tariff duties which enable them to raise prices. The tendency, I submit, is that where there is a tariff wall and we have high customs duties the domestic producer or manufacturer will work on the basis of a high profit on a small turnover rather than on the basis of a small profit and a large turnover.

COMMISSIONER ANGUS: I suppose he tries to get as large a turnover as he can.

MR. BAGWELL: I think he does, but there is not the same incentive as there would be if he had stronger competition. The tendency is for him to get his results as easily as he can. Of course, we all want as much as we can get, that being human nature; but my submission, as a criticism of customs duties, is that there is that tendency for domestic producers to raise prices, and



increased prices mean lower consumption and consequently less employment..

Another criticism is that there is a further economic loss brought about by customs duties, in that the tariff induces the production in Canada of goods which can be produced to better advantage elsewhere, Perhaps I might quote what appears at the bottom of page 4:

" Customs duties impose a further economic loss by inducing the production in Canada of goods which can be produced to better advantage elsewhere, and at the same time preventing the production in Canada of goods which can be produced to better advantage here. Thus the people of Canada are at the same time deprived of part of the advantage which other countries possess in the way of natural resources, special skill, or large scale production; but of which Canadians might avail themselves through trade; and also of part of the advantages inherent in their own natural resources and special abilities."

The last criticism we make is that customs duties constitute a violation of ethical principle, in that they arbitrarily deprive a citizen, who is legitimately possessed of goods of some kind, of his natural right of exchanging them for goods in possession of a citizen of another country.

Excise duties are open to the same objections as customs duties in that they raise the cost of goods to the consumer. It is estimated that the \$47,500,000 to be collected in excise duties this year -- or rather last year, to which the brief refers -- will impose an additional burden upon the consumer of over \$28,500,000, as a result of



the wholesale and retail markup.

COMMISSIONER ANGUS: It may be very frightful that the wholesaler should get this profit and the consumer should not --

MR. BAGWELL: I am not suggesting that it is frightful.

COMMISSIONER ANGUS: On page 4 you say:

" This enhancement in cost necessarily lessens the volume of such goods which the consumer is able to buy, and lessened demand is a contributory cause of unemployment."

But does it not to an equal extent increase the volume of such goods, which the wholesaler in his capacity as consumer is able to buy? If he has made this extra profit he can spend it on consumption goods.

MR. BAGWELL: But has he made extra profits?

COMMISSIONER ANGUS: Referring to what you call his markup, does he not get that as a profit?

MR. BAGWELL: Yes, but the extra cost to the consumer as the result of customs duties, with the consequent wholesale and retail markup, raises the cost of goods to a point that must result in lessened demand. The profit to the intermediaries, such as wholesaler and retailer, may have some of the effect which you have pointed out, but it would not be sufficient to offset the great reduction in buying power which these duties bring about.

COMMISSIONER ANGUS: Why should it not be exactly equal?

MR. BAGWELL: The markup on the cost to the wholesaler or retailer is added to by the imposition of the customs duties, but he gets only a percentage of that.





COMMISSIONER ANGUS: I am afraid I do not understand you.

MR. BAGWELL: Perhaps I do not understand your question.

COMMISSIONER ANGUS: If the wholesaler pays customs duties and then sells the goods, making his normal profit on the price of the goods before the duty was paid, and then his normal profit on the customs duties as well-- that is your suggestion -- he has increased the price he charges the public by this amount which you give, \$36,000,000.

MR. BAGWELL: Yes.

COMMISSIONER ANGUS: That is what you set out on page 3. So that the consumers are out of pocket \$36,000,000, according to your argument?

MR. BAGWELL: They pay an additional \$36,000,000, in consequence, yes.

COMMISSIONER ANGUS: And therefore they can buy fewer consumers' goods.

MR. BAGWELL: Yes.

COMMISSIONER ANGUS: But is not the wholesaler in pocket \$36,000,000, and is he not therefore able to buy consumers' goods to the value of \$36,000,000 which he would not otherwise have bought?

MR. BAGWELL: But is the wholesaler in pocket that amount ?

COMMISSIONER ANGUS: What happens to it if he is not ?

MR. BAGWELL: The only answer I can make to that is, as suggested by Mr. Patterson, that there is merely a shifting of the burden from one class to another.



The burden is shifted to the great mass of the people, instead of being imposed upon the persons who can bear it.

COMMISSIONER ANGUS: I can see that contention.

MR. BAGWELL: But as regards purchasing power you cannot see where there is a reduction so far as the public are concerned.

COMMISSIONER ANGUS: I do not see why there should be lessened demand, which you say is a contributory cause of unemployment.

MR. BAGWELL: I do not know that I can add greatly to what I have said on that point.

As regards the sales tax, our submission will be found at the bottom of page 5. We say that it is a tax on commodities and as such is a hindrance to business generally. I quote :

" The sales tax being collected at the nearest practicable point to the ultimate consumer, the excess markup cost must be reckoned on the retail basis of one-third only. This places the extra cost to the people of collecting \$131,000,000 at something over \$45,000,000. The tax is an exceptionally vexatious one. It entails great hardship on the poorest citizens, not exempting even those on relief, and raises the cost of relief. It entails much unremunerative clerical work upon business."

We go on to show that the collection of this tax, as in the collection of all these impositions, entails a great deal of unremunerative clerical work on the part of business dealing in these commodities.

We are not dealing specifically with banking and insurance taxes; they are small, and I do not think they



need to be discussed at this time.

As regards the income tax, our comment is really not a criticism. We say:

" The income tax, while inquisitorial in its nature, and, like the sales tax, compelling a considerable amount of unremunerative clerical labour; is free from many of the objections properly chargeable against the imposts already considered. It is not increased by pyramiding markups, and it does not affect those whose living standards are below a modest level. There is even a certain partial justice in its exaction, since a considerable proportion of the incomes affected are the result of monopolistic advantages of some kind, or of manipulations which obstruct production."

Summarizing our criticism of dominion taxation we have set out our position on page 6:

" Customs duties constitute the most unethical, wasteful and injurious method by which any considerable part of the dominion revenues are levied. Customs duties, together with other dominion taxes on commodities, cost the people of Canada through pyramided selling costs an amount in excess of the revenue raised, estimated conservatively at over \$150,000,000 per annum, and, beyond reasonable doubt, actually in excess of that sum. They are an important contributory cause of the unemployment which has caused so great a drain on all public treasuries. The income tax, while not fully justifiable, is the





"least damaging of the methods of raising domininn revenue above discussed."

Dealing with provincial taxation, on page 7 we have given a statement showing the sources of ordinary revenue for the province of Ontario -- that is, the taxation which is levied to produce Ontario's revenues, which amounted in 1937 to \$80,488,439.

Dealing with just a few of them, our criticism is as follows:

" (1) Succession Duties.

Succession duties, like the income tax, have fundamentally no ethical basis; but may be justified in a partial way as having a tendency to lessen existing inequities. They are unfair and haphazard in their application, in that one large estate may escape depletion through half a century or more, while another may be greatly reduced through having to pay heavy duties several times at short intervals.

(2) Taxes on Business.

Fees, licenses and taxes on business have much the same effect as taxes on commodities. They undoubtedly operate both to enhance prices and to depress wages; the combined effect on prices and wages to the disadvantage of the citizenry is undoubtedly considerably greater than the amount realized by the treasury, but how much cannot be determined."

As regards the revenue from motorists, I think that the gasoline tax is the largest source from which the province derives its revenues. It is estimated that some \$26,000,000



will have been obtained in 1937 from the gasoline tax, nearly one-third of the provincial revenue, not including chauffeur's licences or receipts in respect of public vehicles. Our submission is:

"Motorists pay this large amount, and yet they are not the chief beneficiaries. Recently a section of highway construction went through a town, making four corners available for service station sites. Prior to the construction of the road, these sites were held at a few hundred dollars each but when the road was nearing completion the owners asked \$7,000 per lot. All over the province highway construction has been similarly enhancing land values. The motorists pay and the landholders get the benefit."

It is the landowner who gets the enhancement as the result of public service to which he is not contributing and of which he is more or less the donee of the value created by public expenditure and community effort.

I do not think we need to deal particularly with the revenue from trading. The revenue from the sale of beer, wines and liquors is obtained through a monopolistic enhancement of the price. We say:

"Avowedly, this is done, not so much with the purpose of obtaining revenue as with that of limiting consumption, obviously harmful if in excess. The propriety of this rests upon other than purely economic grounds. But it is obvious that, if this artificial price enhancement limits the consumption of alcoholic beverages, the many taxes on the production of other commodities must also limit their use: i.e., lower the general standard of living."



In so far as revenues from natural resources are concerned, we are of the opinion that:

" Revenue from natural resources, so far as it can be realized without wasteful exhaustion, is open to none of the objections cited against various other forms of taxation. Such revenue should be greatly increased (i) by making such resources available to prospective users; (ii) by avoiding alienation -- renting, rather than selling; (iii) by placing fees, rentals, etc., on a basis that will encourage neither the wasteful exploitation nor the speculative holding idle of these resources, but rather their development and utilization."

So far as provincial income tax is concerned, it is open to the same objections that we have raised with respect to the dominion income tax.

Coming to the revenue raised by charging individuals fees for carrying on their business, we say that they are not proper. They are an impediment to a man making his way and carrying on his business or profession. We point out that registration, with payment of a small fee, may be desirable in the case of some occupations entailing special responsibility, but the principle has been abused. The summary of our criticism of provincial taxation is found at the top of page 9:

"Provincial taxation, while including no item so extremely objectionable as the customs duties of the dominion government, is levied





"motorists and on business are unfair and burdensome, retard business and are a contributory cause of unemployment. License fees charged individuals for the privilege of working although small in amount, are vexatious."

Now we come to municipal taxation, with which we are more particularly concerned at the moment. The municipalities raise their revenue mainly from three sources of assessment : (1) Business; (2) Buildings and improvements; and (3) Land. With regard to the first, this is fortunately not universal. Vancouver and some other western municipalities do not assess business for taxation. We give figures from the 1937 report of the Department of Assessment of the city of Toronto, showing the proportion of the three forms of assessment in Toronto and in 29 other cities and towns of the province. The summary shows that in Toronto the business assessment is \$112,000,000 odd, or 11.5 per cent of the total assessment. Improvements represent \$494,000,000 odd or 50 per cent and land is only \$370,000,000 odd, or 37.9 per cent. We have also given the average for 29 other cities and towns.

THE CHAIRMAN: We have the figures before us, Mr. Bagwell, you need not read them.

MR. BAGWELL: So far as business assessments are concerned we state our objection as follows:

" The business tax is open to all the objections cited against provincial taxes on business. Based as it is upon a proportion of the value of the land and buildings occupied by the business in question, it operates as a penalty upon those firms providing wholesome and congenial working



"conditions for their employees."

That a man who has more spacious, commodious and comfortable quarters for his employees should pay a larger business assessment than one who carries on the same amount of business under less favourable conditions is obviously inequitable.

As regards buildings and improvements our position is set out on page 10. We say:

"(b) These taxes are, however, of the same intrinsic nature as taxes on other commodities. A building, though commonly included with the land it occupies as "real estate", is actually a commodity capable of being produced, maintained or neglected, destroyed and even(though with difficulty) of being moved from place to place.

These taxes have become extremely onerous.

In some cities they provide much more than half the municipal revenues."

THE CHAIRMAN: We have the figures.

MR. BAGWELL: Our position is stated in the following terms:

" The Commission has doubtless heard repeatedly that taxes on 'real estate' have almost destroyed the building industry. While entirely false as regards taxes on land, this statement is true as regards taxes on buildings.

The erection of buildings is usually regarded as an index of prosperity. When the building trades are fully employed times are good; when builders are idle, times are bad. Yet, of all industries, the erection of buildings is the most severely penalized by taxation.. When the sales





"tax is applied to a furnace or toilet or bath the tax is paid but once; but let these articles be incorporated in a building, and the municipality will impose an annual tax of from 35 to 60 mills. A 35 mill tax is equivalent in burden to a mortgage of 70 per cent of the assessed value of the building at 5 per cent during the life of the building.

Excessive taxes upon buildings are undoubtedly the most important of the contributory (not fundamental) causes of unemployment in Ontario.

(c) Taxes on buildings in Ontario are more severe than was the intention of the framers of the Assessment Act. This Act provides that land, buildings and improvements shall each be assessed at fair selling value. But in practice buildings on the whole are grossly over-assessed. The land, as will be shown later, is generally assessed at but a fraction (in many cases a very small fraction) of its actual value.

(d) The whole principle of assessing buildings on their value, however, is pernicious and inequitable. It is condoned on the principle of 'ability to pay' which in practice may mean inability to evade. Due to the demand for social service, the amount of a city's expenditures on a given area is more nearly in proportion, not to the goodness, but to the badness of the buildings thereon. Howard Whipple Green, secretary to the Cleveland Health Council, made an investigation into conditions in 1932 in an area of 333





"acres, 22,236 population, where building conditions were extremely bad. He found that nearly 15 per cent of the money spent by Cleveland for fire protection was to give service to the 3 per cent of the population living in this area. And, whereas the per capita cost of police protection for the whole city was \$18.12 it was \$57.60 for the same area. The total taxes received from the area were \$225,035, the expenditures of city, county and board of education were \$1,975,000."

Now we come to page 11 of our submission, with respect to the tax on land values. We say:

"Each of the taxes so far discussed represents the arbitrary confiscation of a part of some value produced by some person or persons, and is thus contrary to ethical principle. Each has been shown to be wasteful and to hamper production.

Taxes upon land however are upon a totally different basis. No part of the value of land results from any labour or expense on the part of the holder as such. Value resulting from the holder's activities is properly included under improvements.

Economists commonly ascribe the value of land to the presence of population. This is true; but, as dense populations are conditional upon the presence of costly public services, and as increased public services enhance the value of land even apart from population increase, it is as correct to say that the economic rent of land is the annual value of public service.



"In this connection it must be noted that these services need not in every case be in immediate proximity to the land affected. The enormous value of the plots at the corner of King and Yonge Streets, Toronto, is due to their central position in regard to a great population served by a system of highways and other communications extending for hundreds of miles. Land values are enhanced by such services as transport, gas, electricity, etc., even when privately owned and operated; the better and cheaper the service given, the greater the enhancement. The erection of unusually good buildings in a neighbourhood enhances values; that of inferior buildings or the allowing of severe depreciation in buildings, depreciates neighbouring land values. But the chief element in economic rent always is the services provided at public expense. The economic rent, over and above the amount of the land tax paid, is, in the nature of a free gift from the public to the landowner. Taxes upon land, therefore, have complete ethical justification so long as they do not exceed one hundred per cent of the economic rent.

Taxes upon land do not hamper production, since they are not increased when the land is put to the most economic use, nor reduced when it is misused or unused. They are thus not subject to the objections raised against the taxes previously discussed. The only objections to land taxation as imposed in Canada are (a) to



"inequitable assessment; (b) to inadequacy."

THE CHAIRMAN: After having stated that proposition and laid down the basis of your argument, perhaps you could summarize and present the important points. I suggest that for the reason that there is another brief to be submitted, from the Trades and Labour Congress of Canada, and members of that delegation are from out of town, and this is Friday. I want you to present all the points that you consider important, but inasmuch as you have written a very able brief which we shall have an opportunity to read, I think it would serve the purpose now if you would simply stress the points which you consider important.

MR. BAGWELL: I think I can do that. In the tables that follow I would point out that Leaside, with a population of 1,965, has an assessed land value per capita taxable of \$713, which is higher than any other municipality in the province; yet there is a real building boom in Leaside at the present time owing to the fact that there is a proper tax on land values, so that the land cannot be held idle nor kept out of use.

I would point out that these low land values make for inequitable assessments, and we have set out the figures showing, as regards Westmount, Outremont and Verdun the great discrepancies in per capita assessment.

I should like to quote something to indicate the difficulties that confront municipalities and governments in equalizing assessments under present conditions. I would refer you to the bottom of page 13:





" In a letter to Mr. Arthur Black Farmer, a member of this Association, dated Feb. 28th, 1933, the Honourable George S. Henry states:

'I have long recognized that equalization of assessments is very largely a farce. I remember, as a member of York County Council, having a conference of Assessors of the various municipalities, and in their discussion one man, representing a township, suggested that he used 40 per cent basis of actual value, whereas another village not far distant assessed at 90 per cent. The average member would not appreciate that to bring these two on a parity the township would have to be increased 100 per cent and the village decreased 11 per cent. No committee would ever undertake such a radical change, and, therefore, equalization, even in relation to these two municipalities, would never be what the law intends."

The second objection which we have to existing land value taxes in Canada is that they are glaringly insufficient. Before I proceed to discuss that point, I would ask the Commission at their leisure to read the analysis that is given at the bottom of page 14. May I quote from the brief in regard to this second objection:

" (b) The second great objection to existing land value taxes in Canada is that they are glaringly insufficient. The land assessment of Ontario in 1934, the latest given in the Canada Year Book (1937 ) was \$1,266,175,295, or \$343 per capita. The tax rates are not given, but the rates of many



"on \$343 would be \$13.72. This must be a very close approximation to the present per capita revenue from land value taxation in Ontario.

The selling price of land, to use the words of J. R. Brown, President of the Manhattan Single Tax Club, in many public lectures, 'is the capitalized value of the public service which the owner receives but does not pay for.' On the estimation that the actual per capita land value is \$900, and that the percentage realizable by the owner is 6 per cent, the owner's share of the economic rent is \$54, which, added to the land value tax of \$13.72 makes a total of \$67.72. The division is 20 per cent to the public, which creates all the land value, and 80 per cent to the owner, who as such creates none.

It would be generous to the landlord to leave him 50 per cent of this publicly earned income. But, even on this basis, the municipalities would have an additional income from land value of \$20.14 per capita, or over \$72,000,000 per annum, which could be applied to the reduction of the more damaging forms of taxation."

COMMISSIONER ANGUS: You say that the owner creates none?

MR. BAGWELL: That is, the land value; we are dealing with land as distinct from real estate which includes land improvements.

COMMISSIONER ANGUS: But if he is a recent purchaser



of the land, quite apart from the creation of any value, he has in a sense paid for it. He has paid what you call the selling price, the capitalized value of the public services.

MR. BAGWELL: He has paid it to an individual, not to the public treasury.

COMMISSIONER ANGUS: And your proposal is to make him pay it again to the public treasury?

MR. BAGWELL: No, we propose that he shall pay only a tax based on the land value.

COMMISSIONER ANGUS: He will pay a large proportion over again.

MR. BAGWELL: We suggest that he should pay enough to compensate the municipality or the province or the dominion for the public services which are rendered.

COMMISSIONER ANGUS: If he paid 100 per cent of the economic rent he would be paying the price over again.

MR. BAGWELL: No, not the economic rent, because economic rent is merely the income from that piece of land put to its best use and made possible by public services furnished to that particular piece of land. It is valuable only by reason of the fact that there are a large number of people in the neighborhood. If everyone moved out of Toronto the corner of King and Yonge Streets would be valueless. Now I would refer you to the bottom of page 15:

"The insufficiency of land value taxation has yet more serious consequences. So long as a landowner may for instance receive for \$20 services worth \$100, he has a powerful incentive to control as much land as possible."





Then on page 16 we say:

" There is under private ownership in Canada more land than the present population can utilize. But when so much valuable land is unused, thus wasting the economic rent, labour and capital must be employed on less valuable land, with a smaller resulting product. Speculators in unimproved or underimproved land often suffer losses instead of realizing the anticipated profits but whether they win or lose the public always loses.

It is this insufficiency in the taxation of the economic rent which is the fundamental cause of unemployment in Canada. With the superabundance of land, and even of land commanding public service, so much is held wholly or partially out of use that capital and labour cannot obtain land upon which they may produce at a price which they can profitably pay, especially so when burdened by the obstructive imposts already discussed.

While this cause continues, there must be recurring periods of unemployment, irrespective of what other reforms are adopted. With this cause removed, such hindrances as the customs tariff may deprive labour of part of its due reward, but cannot prevent it from being employed."

Next we deal with the local improvement tax. We point out:

" In Ontario, a substantial part of the cost of pavements, water-mains, sidewalks and sewers is raised on what is known as the local improvement system. By this system, a part of the cost of public works is charged against the property



"considered to be benefited on a basis, not of value, but of frontage, and is apread usually over a period of ten years. With regard to the installation of such public services, in new districts, the effect of this system is to some extent similar to that of a land value tax. On a new street, after mains, sidewalks and pavements are laid, a very substantial local improvement tax must be paid for ten years, whether the land is built on or remains idle. The result is that where this system is in force the whole street is usually built up fairly promptly after the pavements, sidewalks, sewers and water mains are laid.

The weakness of the local improvement system of charging on a frontage instead of land value basis becomes apparent in connection with public works like the widening of streets, which often add to the value of property at a distance, but may in some cases actually depreciate the property abutting on the widened street.

Improved through streets are an important factor in centralizing business and so in increasing central business site value. The better method would clearly be to assess the cost of all such works on the basis of the value of the land apart from improvements of the whole municipality."

Summarizing, we say:

" The business tax as levied in Canadian municipalities is open to the objections generally urged against taxes upon production.



" Taxes on buildings and improvements have greatly increased the annual cost of buildings and homes, thus increasing rents, and have become so onerous as to prevent new construction.

Taxes on land values, on the other hand, promote building, industry and employment, and are just and equitable. They should be substantially increased in amount."

I have set out, from pages 17 to 21, the considered opinions of many leading economists, both of recent days and older times, going back a considerable period, and I would suggest that a perusal of these quotations would be of assistance to the Commission, although I will not read them now.

(At one o'clock the Commission  
took recess.)





## AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: All right, Mr. Bagwell.

MR. BAGWELL: When we adjourned for lunch we had come to page 21 of the Brief. In Division II of our Brief we deal very generally with Unemployment, Low Wages, and Slums. These have already been discussed in previous hearings this morning, and I shall not go into them in detail now, as the Commission will have the Brief before them for their perusal. I shall read just one or two paragraphs:

"The fundamental cause of unemployment is the leaving of too great a part of economic rent in private hands, so that persons able to do so are strongly incited to own more land than they can utilize economically and hold it at such high prices that it cannot be used.

If any further proofs of this statement should be considered necessary, inspection of the area surrounding any city will supply them.

Efforts directed towards maintaining the speculative price of land, through lessening taxes on unimproved sites, but tend to continue the present evils of stagnation and unemployment.

Failure to collect the economic rent makes unavoidable the imposition of many harmful taxes, each one a contributory cause of unemployment."

As we have already discussed the effect on wages on what we consider to be the imposition of improper taxation, I shall not dwell on that section B, on page 22, dealing



with Low Wages, and I come now to Section C, dealing with Slums:

#### SLUMS

"The Bruce Report (Report of the Lieutenant Governor's Committee of Housing Conditions in Toronto) names as the principal causes of slums low incomes, cost of land, cost of building. These three, we submit, have already been shown to be aspects of the fundamental evil, failure to collect the economic rent.

It should be particularly noted that under the present taxation system slum landlords are heavily subsidized at the expense of the owners of wholesome buildings. (Very few slum dwellers own their homes. See Bruce Report, p. 18).

In a typical slum area it will be found that the civic expenditures exceed not only the taxes collected but the gross rental of land and buildings. As the slum landlords contribute nothing (the buildings should have been destroyed years ago) it is a perfectly accurate statement that they obtain their revenues by buying city services at a small fraction of cost and selling them again at a higher fraction to poor people."

The report we referred to earlier, dealing with conditions in Cleveland shows that there was a great deal more expended in services than was collected in taxes.

Slums constitute so flagrant a misuse of valuable land that the whole economic rent



"of slum areas is insufficient to cover the civic expenditures therein. Merely transferring all municipal taxation, which takes less than the economic rent, from buildings to land would deprive slum landlords of only part of their subsidy."

I think that is all I need to say on those sections.

Then we come to Division III dealing with Railways and Agriculture:

#### RAILWAYS AND AGRICULTURE

"It seems paradoxical to many that such industries as Canadian railways and Canadian agriculture should be in financial difficulties. Canadian railways carry goods at phenomenally low ton-mile costs. Canadian farmers show amazingly large per capita production. Yet both are in trouble. In the light of what precedes, these troubles are understandable.

#### RAILWAYS

Canadian railways are undoubtedly overbuilt. Why? There seemed to be a certain need for each road or branch as it was built. Population was penetrating into more and more remote areas.

And yet there was no need for this penetration, with all it involved of wasted effort and pioneering hardships. Ample land was available for the present population before more than half the existing mileage was constructed. But owing to the failure of governing bodies sufficiently to tax the economic rent, this land was to a great extent pre-empted and held idle. So more and more land was





"in demand.

A railway is in fact an enormously profitable form of enterprise. A given railway may be showing a loss; but if the economic rent created by the railway within the area served be taken into account, it will be shown to be highly profitable."

That is, to the community, to the people as a whole.

Then Agriculture is next dealt with. We have already dealt with that in a general way. You have our submissions, and I do not think we need to go into that now, as the Brief sets it out as clearly as I could do by reading it to the Commission.

Then we come to Division IV, dealing with the varying results of taxation. In Section A we give some instances of the destructive force and the injurious results that accompany excessive indirect taxation. I am not going to read that to the Commission now, Examples are given there, and the Commission may pursue them at their leisure.

I pass to Section B, on page 25:

"While the collection of all economic rent is the ideal, so far little more has been accomplished than to confine municipal taxation to land values. However, enough experience has been gained to make it appear that the well-being of a population depends to a lesser extent upon natural advantages, and to a much greater extent upon the proportion of the economic rent devoted to public purposes. Material advances have been made in (1) Australia; (2) New Zealand; (3) parts of Africa; (4) Denmark; (5) the United States, where very



"small exemptions of buildings from municipal taxation have in the case of two cities produced results worthy of mention."

Then we have set out there the successful results that have accompanied the introduction in Australia of a measure of taxation of land values and the exemption of buildings. It makes very interesting reading, and I would commend it to the Commission as worthy of serious consideration.

THE CHAIRMAN: We will read it, Mr. Bagwell.

MR. BAGWELL: The same applies to New Zealand.

New Zealand has gone quite a long way in assessing land values and removing the tax on buildings and improvements, and we have set out the results of that. I should like to read a portion of the Brief dealing with Northern Nigeria and Africa:

"In Northern Nigeria, under its Canadian-born Governor, Sir Percy Girouard, the principles for which this Association stands have been given perhaps the most complete practical application they have yet received. The Times, September 8th, 1911, says:

'On 1st January of this year the most far-seeing measure of constructive statesmanship West Africa has ever known was put upon the Statute Book. "The Land and Natives' Rights Proclamation" consecrates the three main principles of native law and custom, first, that the whole of the land, whether occupied or unoccupied, is "native land"; secondly, that the land is under control and subject to the disposition of the Governor, to be "held and administered by him for the use, need and



"common benefit of the natives of Northern Nigeria"; and thirdly, that the Governor's power shall be exercised in accordance with "native laws and customs". For the rest, and without going into detail, the measure can be described as expressing the native system, and the natural developments of the native system, in English. It is not, in Nigeria, an innovating measure, but a conservative measure; not an experiment, but a preservation of the status quo. It is not a measure of land nationalization, because nationalization means State control of the land and all that is done upon it. What this measure does is to provide for the communalizing of the communal value of the land, leaving the occupier full control over the use of the land and full benefit for his private enterprise upon it, with payment of rent to the community to which the land belongs, instead of to a landlord. The individual's right to all that is due to individual work and expenditure, but not to the communal value, is secured. No freehold can creep in and no monopoly profit can be made out of the land. The "holding up" of land for speculative purposes is, in effect, penalized, while the man who is industrious is not made to pay more as the outcome of his enterprise. At the same time the basis is laid for a land revenue which, with the years, will be the chief source of income for the government--the healthiest form of income, perhaps, for any government.'





"As to how the measure has worked in practice, we quote the observation of Mr. C. L. Temple, one of the committee who reported on the problem and afterwards Lieutenant-Governor of Northern Nigeria:

"The enactment which thus nationalized the land of Nigeria was regarded by many as being an innovation fraught with danger, and there were not wanting those who prophesied that no one would invest capital in a country thus administered, and that this law barred the way to or would certainly hinder all improvement and development on modern lines. The event, however, proved the contrary. As the law came to be understood it was realized that the interests of capital and of the industrious pioneer were amply protected, with the result that the demands for "Rights of Occupancy", as the leases are termed, has been so great as to hurry on the development of the country fully as rapidly as is expedient. So far from capital being frightened away it is flowing in as quickly as anybody could wish."

I would also commend to the Commission the remarks of the Right Hon. Josiah C. Wedgwood, M.P., who follows up the working out of that legislation in Northern Nigeria; also the remarks of Miss Margaret Bateman, of Montreal, as to the results of her visit to Denmark, where there has been a very considerably amount of legislation introduced along the lines that we indicate. It makes interesting and constructive reading. Then the United States is dealt with on page 31. There have been some notable examples in that country of the



successful working out of taxation of land values; in the city of Pittsburgh, for example.

Then I quote from our Brief at page 31:

"A law was passed in New York State exempting for ten years all new dwellings and apartments built between February 26th, 1921, and April 1st, 1924, in New York City to the extent of \$5,000 per dwelling or suite. In three years and two months before the law went into effect (January 1st, 1918 to February 25th, 1921) plans filed for such construction totalled \$204,191,364. In the two years and seven months it was in effect, plans filed totalled \$1,073,879,433, or over five times as much. This law was designed to relieve a housing shortage rather than unemployment; but it did nearly abolish unemployment and materially raised wages during its enforcement."

So far as our own Canadian provinces are concerned we set out in the Brief those provinces where there has been some partial attempt to put a tax on land values, but nowhere in Canada has the system been fully applied. We have set out in the Brief for the information of the Commission those provinces and centres where there has been some measure of this kind of taxation applied, and you will note that it has had very beneficial and effective results, particularly in British Columbia.

THE CHAIRMAN: What is the exemption on lower-priced houses in Toronto?

MR. BAGWELL: The exemption is just on small houses, Mr. Chairman. You will see that on page 33:

"The Toronto Assessment Report for 1932, including assessments for 1933, is the only



"one giving assessments for different classes of residences. In Toronto dwellings assessed at not over \$4,000 are partially exempt from general (not school) taxation as follows:

Not over \$2,000	50 per cent
Over \$2,000 and not over \$2,500	40 " "
" \$2,500 " " " 3,000	30 " "
" \$3,000 " " " 3,500	20 " "
" \$3,500 " " " 4,000	10 " " "

I think that gives you the information, Mr. Chairman.

THE CHAIRMAN: Has the exemption had the effect-- I am asking for information--of stimulating the building of lower-priced houses in Toronto?

MR. BAGWELL: Oh yes, I think there is no doubt about that. It has done a very great deal to stimulate the building of small homes suitable for the average working-man.

We have set out at the top of page 33, in various columns, what the results would be. The fourth column shows the revenue that would be derived from land value assessments only, at 94.08 mills, as compared with the actual revenue raised, and shown in the first column, the actual revenue being raised from taxation of land values, improvements and business assessments, at 55.7 mills. That Table shows that the net savings in six wards total \$2,770,986 per annum plus the savings in the residential sections of the three wards which do not show a gross saving. The effects would be that the burden on residential property would be relieved to that extent, and in Montreal and Toronto, under such a system, many modern buildings would show a substantial





saving.

The purpose of the Table on page 33 is to show that if the system of taxation that we advocate were put into force in Toronto, it would relieve the burden from the residential district and place it where we submit it properly belongs, that is on the district where the values are high, where the land values are created by community enterprise and public service.

Then we come to our Conclusion at the bottom of page 33, and our submission is that:

"The true economic rent of the country is ample not only for all present services, but for other important services not now undertaken for lack of funds; while yet leaving with present landholders a sufficient proportion to prevent any possible hardship."

Then on page 34 we say:

"The present situation abundantly justifies the immediate placing of all municipal taxation on land values. This has been done in hundreds of municipalities within the British Empire without the slightest untoward result, but with an immediate stimulation of building and industry and quickly improved economic conditions. At the same time a Provincial tax of one per cent. on efficiently assessed land values might well be raised for two purposes: (i) to assume a greater part of educational costs, which press most unequally upon different school districts, and yet are of province-wide import; (ii) to take the place of the more injurious taxes on industry."

Such as business taxes that we have mentioned already.



"This move would unquestionably increase the Dominion revenue, through the resulting industrial development, and make possible the lessening of customs duties as rapidly as might be done without destroying industries dependent upon tariff protection, but which appear capable of ultimate self-support. Permanently and incurably parasitic industries were better done away with as rapidly and painlessly as possible.

These moves in turn would be amply sufficient to increase economic rent so that a Dominion land tax sufficient to take the place of the sales tax might be levied with no hardship to anyone; and so one advance may follow another. There are many possible ways of working out the ultimate reform of the present Canadian system. Some are much better than others, but the worst imaginable method is better than to allow the present abuses to persist and grow more and more deadly with increase of population."

Then on page 35 are set out the Recommendations which this Association wishes to make to this Commission, based on the reasoning and evidence contained in their Brief: They are as follows:

#### RECOMMENDATIONS

"Our aim throughout this Brief has been to show that in our entire taxation system, wherein it has departed from the collection of the economic rent, we are not observing the laws of economic science. Our fiscal troubles cannot be cured until we do this. As a beginning, we recommend the following measures:



1. FEDERAL. The Sales Tax should be abolished, and a federal tax on the assessed land values of Canada could easily yield the amount of the present sales tax, with none of its pyramiding features.

The Dominion Government could accept the responsibility of social services, as has been frequently suggested, provided the cost be defrayed by a tax upon land values.

We strongly support the efforts now being made by the Dominion Bureau of Statistics, in cooperation with provincial statistical bureaus, to have assessors return land and improvement values separately, and to make assessments generally on a uniform basis.

2. PROVINCIAL. A greater proportion of provincial revenues should be raised by a tax on land values. A provincial land tax in Ontario, for instance, would make it possible to reduce taxes on business and on motorists.

3. MUNICIPAL. Provincial legislatures should make it possible for municipalities to transfer as speedily as possible taxation from improvements and business to land values exclusively, in line with the increasing practice in Australasia and other British areas.

The transference of the incidence of taxation from commodities and improvements to land values, even to the limited extent suggested above, would make available to labour an immense area of land now locked up by speculation and by the penalties attached to its use--"

That is, by taxation in the form in which it is imposed;





"--and so relieve the unemployment situation and put hundreds of thousands of Canadians on a self-sustaining basis, and provide more social security for all."

Then on page 36 we have set out an Addendum, which I will leave for the Commission to consider.

THE CHAIRMAN: Thank you. Have you any questions, Mr. St. Laurent?

MR. ST. LAURENT: I have a few questions, my Lord.

BY MR. ST. LAURENT: (Of Mr. Bagwell):

Q. Mr. Bagwell, when was this Single Tax Association of Canada organized? A. Perhaps Mr. Patterson can inform you better on that.

MR. PATTERSON: I am not absolutely sure of the date, but it must have been more than twenty-five years ago.

BY MR. ST. LAURENT: (of Mr. Patterson):

Q. Where is the head office of the organization, Mr. Patterson? A. On Eloor street, Toronto.

Q. Has the Association branches elsewhere than in Toronto? A. Yes. It has a membership scattered over the whole country.

Q. So that we may have on the record just how it functions, are there local branches of the Association, or are there just corresponding members? A. They are not so much branches as earnest adherents of the Association and promulgators of the doctrine in their neighbourhood where they happen to be.

Q. How does one become a member of the Association?

A. By a subscription of one dollar, of which fifty cents is for membership, postage, etc., and fifty cents for subscription to the magazine published by the Association.

Q. There is a magazine published by the Association?



A. Yes, called the Square Deal.

Q. That is a monthly magazine? A. Monthly.

Q. What is the membership of the Association approximately? A. I believe we have several hundred, but I really do not know the exact number.

Q. Do you know how many copies of this magazine are printed? A. I think about one thousand?

Q. One thousand? A. Yes.

Q. And that magazine has been in existence for several years? A. Yes. It has suspended publication over some periods, during the depression, when our voluntary subscriptions did not come in, in sufficient volume.

Q. Is it being published and printed at the present time? A. Yes.

Q. When was the last suspension? A. During the last severe depression, four or five years ago.

Q. How long has it been regularly published since it was last suspended? A. During 1937.

Q. Publication was resumed during 1937? A. Yes.

Q. Early or late in 1937, do you remember?

A. Early in the year.

Q. So that it has been published continuously over a period of from eight to ten months now? A. Yes.

Q. And publication was suspended for several years during the severe depression? A. Yes.

Q. There is a reference in your Brief to the Royal Commission on the Textile Industry, the Turgeon Commission. That Commission has not yet made its report, has it? A. I believe so.

MR. BAGWELL: What page of the brief are you referring to?

MR. ST. LAURENT: Page four, about line twenty-five.

MR. BAGWELL: It says:



"The case of Dominion Textiles, shown in the course of the inquiry of the Royal Commission (Turgeon)---"

I do not think the Commission has yet made its report, and I think the observations appearing in the Brief were based upon newspaper reports of the evidence taken by that Commission.

MR. ST. LAURENT: On newspaper reports of evidence given before the Commission?

MR. BAGWELL: Yes.

BY MR. ST. LAURENT: (Of Mr. Patterson):

Q. At page four of your Brief, in line forty, it is suggested that customs duties prevent the production in Canada of goods that can be produced to better advantage here. How is it suggested that that is brought about? How does the customs tariff prevent the production of goods here. A. To illustrate, in connection with my own business, which was a printing machinery business, the possible clientele for the printing machinery business in Canada was small. Nevertheless at one time the Dominion government imposed a Customs duty on machinery to encourage two different concerns at different times engaged in the manufacture of printing machinery in this country. Their possible sales were so small that there was no possibility of taking advantage of what may be called mass production which prevails in countries like the United States, where the field for business is large, and there the benefits of mass production could be applied to a lowering of the cost of the article sold. So it finally turned out that we could import from other countries enjoying these mass production advantages and deliver to our customers at less cost after paying the duty.





Q. Then is the suggestion this, that Customs Duties prevent the development of the country at a sufficient pace to create a market for mass production? Is that the suggestion? A. Yes.

Q. So indirectly you suggest that Customs Duties have retarded the rapid development of the country and have not provided a clientele to purchase the products of mass production? A. I do not say they have retarded production, but they have imposed an economic loss on the people as a whole.

Q. But what is suggested in the Brief is that Customs Duties prevent the production in Canada of goods which can be produced to better advantage here, and I was a little concerned to understand how that came about?

A. They impose an economic loss by inducing the production in Canada of goods which can be produced to better advantage elsewhere.

Q. One can understand that contention, whether one agrees with it or not, but in the last half of the same paragraph you say that Customs Duties prevent the production in Canada of goods which can be produced to better advantage here, and I was not able to follow that.

A. Goods of any kind in international trade are not paid for in goods of the same kind. They are paid for in goods of other kinds. That constitutes international trade. Now then, Canada could far more profitably spend its endeavours from an economic standpoint, in raising No. 1 Northern Hard Wheat for export than in manufacturing printing machines for domestic consumption; and the United States, on the other hands not having a climate for No. 1 Northern Hard Wheat, perhaps to better advantage could buy her hard wheat here and export to us the printing machines turned out by her mass



production methods. That is the point.

Q. Is it suggested by your Association that Canadian farmers have not been producing all the No. 1 Northern hard wheat they could produce over the past two or three years? A. No, but there might have been more Canadian farmers producing Canadian hard wheat.

Q. You were not with us in Saskatchewan and did not hear the provincial Minister of Agriculture there tell us that they already had more wheat producers than they could conveniently place on the lands that were fit for wheat production. A. I did not hear him say so, naturally.

Q. On page six of your Brief there is a reference to the results of monopolistic advantages. That is just at the end of your paragraph on Income Tax. Would you mind indicating what the Association had in mind as the monopolistic advantages that accounted for incomes that were liable to income taxation? A. The income tax levied on incomes in the higher brackets can be well understood to apply to those enjoying special privileges, such monopolies as grow out of customs tariff protection, patent inventions, copyright, timber concessions, mining concessions, water power concessions, and so forth, which are monopolistic, and which result largely in higher incomes liable to the income tax.

Q. Those are the things the Association had in mind in that paragraph? A. Yes.

Q. Then what had it in mind as the manipulations which obstruct production? A. Well there are many manipulations in restraint of competitive trade, and so forth, that I think would be covered by that.

Q. That is what the Association had in mind—combinations





that restrict trade? A. Restrict trade and restrict production, and in some cases they are restricting the production of agricultural products--livestock, for instance, in other countries.

Q. But here you had reference to the Canadian situation, had you not? A. It is not necessarily limited to the Canadian situation. The principle applies equally everywhere.

Q. This was not specially directed to the Canadian situation? A. Oh yes, specially directed to the Canadian situation, but not exclusively directed to it by any means.

Q. Restrictions on agricultural production in other countries would hardly enter into the Canadian situation? A. We do not speak of restrictions on agricultural production.

Q. But you just mentioned that as one of the manipulations that obstruct production. A. In other countries, yes; that is just for the sake of illustration.

Q. Now with respect to Succession duties, it is suggested by the Association that they are unfair because one estate may go along for half a century without having to pay a Succession duty, while others through the misadventure of death may have to pay a Succession duty two or three times over during that period. Is it implied there that the Association rather favours some periodical levy on estates? A. No.

THE CHAIRMAN: Most people affected by these Succession duties would agree with your conclusion in respect of that tax, but the difficulty is they would not agree on a substitute tax.

BY MR. ST. LAURENT (of Mr. Patterson):

Q.. There is a suggestion on page 8 of your Brief that





Dominion subsidies to the provinces might well be done away with? A. Yes.

Q. That, I assume, is based upon your contention that the proper taxation, taxation of the economic rent, should replace Dominion subsidies?

MR. BAGWELL: Yes.

MR. ST. LAURENT: And there is the suggestion in the Brief that at the present time the assessed values are not equal to the real land values?

MR. BAGWELL: Yes.

MR. ST. LAURENT: As I understand it, the suggestion is made that the real land values might equal \$900 per capita?

MR. PATTERSON: Yes.

MR. ST. LAURENT: And the economic rent equals \$67 odd per capita?

MR. PATTERSON: Yes.

MR. ST. LAURENT: And the suggestion is that something like 80 per cent might well be taken for public purposes?

MR. BAGWELL: I think we suggest 50 per cent.

MR. ST. LAURENT: That is suggested as the low, but it is also suggested that up to 80 per cent even might not be unfair.

MR. BAGWELL: Yes.

MR. ST. LAURENT: And 80 per cent would be something like \$54 per capita?

MR. PATTERSON: Yes.

MR. ST. LAURENT: With respect to Toronto, for instance, it would appear from page 33 that the municipal taxation for Toronto was \$54,885,000, and the population of Toronto is stated on page 11 as being 645,000.



MR. PATTERSON: Yes.

MR. ST. LAURENT: Which would work out to a per capita tax of about \$54?

MR. PATTERSON: Yes.

MR. ST. LAURENT: It is shown on page 3 that the total taxation for the Dominion for 1937 was budgeted at \$425,000,000. That would be roughly a little under \$40 per capita for the Dominion, with a population of 11,000,000. Then on page seven it is stated that the Ontario government in that same year budgeted for \$80,488,000 of revenue, with a population of 3,500,000.

MR. PATTERSON: Yes.

MR. ST. LAURENT: So the three together would require a per capita taxation of something like \$120?

MR. BAGWELL: We point out at the bottom of page three, I did not read this-- that the estimate of \$67.72 per capita would not meet all the revenue that would be required.

MR. ST. LAURENT: So that at the present time, although the real estate taxes include taxes on the value of improvements, they provide less than one half of the amount that is ordinarily required for federal, provincial and municipal services?

MR. PATTERSON: No.

MR. BAGWELL: Not less than half, no.

(Page 3080 follows)



MR. ST. LAURENT: The municipal assessment is based not only on the land assessment but on the improved assessment.

MR. BIGWELL: Yes, that is right.

MR. ST. LAURENT: It yields about \$54 per capita for Toronto, which is probably quite as high as anywhere.

MR. BIGWELL: Yes, I suppose.

MR. PATTERSON: On the present assessments, which are inadequate.

MR. ST. LAURENT: On the suggested assessment for land values at \$900 per capita one would get as the whole economic rent \$67 odd.

MR. BIGWELL: Yes, that is right.

MR. ST. LAURENT: Per year.

MR. BIGWELL: I think we cover that on page 54. We say:

"The estimate of \$67.72 is conservative and made at a time of depression. Any estimate made in 1926 to 1929 would necessarily have been considerably greater.

Costly public services, now depleting the treasuries of the dominion, the provinces and the municipalities, are like unemployment relief made necessary almost altogether by the present tax system. Even the needless collection costs of the present system run into many millions annually."

We do not say that the figure \$67.72 is the proper figure; it should be much higher.

MR. ST. LAURENT: Would you suggest the present assessments of Vancouver are higher?

MR. BIGWELL: Yes.

MR. ST. LAURENT: And below the real value?





MR. BAGWELL: Yes.

MR. ST. LAURENT: When you suggest what the real value might be you brought it up to \$900 per capita.

MR. BAGWELL: Yes.

MR. ST. LAURENT: And the \$67 is based on the \$900 per capita?

MR. BAGWELL: Yes.

MR. ST. LAURENT: And, of course, I take it that it is implied here that the economic rent of lands for residential purposes may not be as much as \$900 per capita.

MR. PATTERSON: \$900 is the average figure. It would not be as high, no.

MR. ST. LAURENT: It would not be as high for residential purposes --

MR. PATTERSON: No.

MR. ST. LAURENT: --- as they would be for industrial or commercial purposes?

MR. BAGWELL: Yes.

MR. ST. LAURENT: What is the difference between having a higher economic rent for land proper, and used for industrial and commercial purposes, and having a business tax assessed on the business that is carried on on such lands?

MR. PATTERSON: We take it whether the land is used or not, and thus force that land into productive use.

MR. ST. LAURENT: Might it not be good, then, to force into productive use the lands that have been laid out for business purposes surrounding all the cities and towns.

MR. PATTERSON: We may be using the wrong term in saying "we forced them". We induce them from selfish motives to do that. It pays them to do it, in other words.



MR. ST. LAURENT: I notice there is an implication that land is being held in and around the cities and towns for speculative purposes.

MR. PATTERSON: Hundreds of acres of it.

MR. ST. LAURENT: Is it to the knowledge of the members of your association that a lot of that land, at least, in and around the western cities, is now being held by the municipal corporations, having reverted to the corporations because no one was found to consider them sufficiently valuable to pay the taxes on them.

MR. PATTERSON: No, no. They have found them not sufficiently attractive to use under the present system because the using of them would involve them in taxes that they could not afford.

MR. ST. LAURENT: Is it to your knowledge Mr. Patterson, that a large proportion of that vacant land in and around western cities has reverted to the municipal corporations?

MR. PATTERSON: Yes, but on the other hand on the very point, let me point out to you that one of the most industrious and prosperous and free from slums and free from poverty countries in the world, Sweden, has its capital city, Stockholm, acquiring by purchase and every other way possible and now holding within the municipal boundaries 20,000 acres of land that they will not sell, that they will only lease on 60 year term leases with the privilege of renewing, and are collecting purely economic rent from that land. They are finding persons who have uses to which they can put the land, including the wealthy classes. One of the unforeseen difficulties they encountered was that well to do people were trying to get those lands which were originally intended by the corporation for the use of the poor.



MR. ST. LAURENT: On page 24, line 2, it is suggested:

"The failure of the dominion government, between 1930 and 1933, to stabilize the purchasing power of the dollar aggravated greatly the burden of these debts."

How is it suggested that the purchasing power of the dollar between 1930 and 1933 could have effectively been stabilized?

MR. PATTERSON: We do not attempt to say how it could have been stabilized other than <sup>by the</sup> enactment into law of the collection of economic rent which we suggest.

MR. ST. LAURENT: So that the enactment into law of the collection of the economic rent would, in the opinion of the members of your association, have stabilized the purchasing power of the dollar?

MR. PATTERSON: And will do so, if it is tried.

MR. ST. LAURENT: Then, on line 18 I find the following:

"The economic rent of a large proportion of Ontario farms under present condition is evidently nil, as they can be bought for less than the true value of the improvements."

There would not have been very much room for collection of taxation out of an economic rent that was nil.

MR. PATTERSON: Certainly not; and why should there be?

MR. ST. LAURENT: I am not suggesting there should be.

MR. BIGWELL: It would give the right to other properties where public services have made the land valuable.

MR. PATTERSON: If public services had been conferred on the agriculturalist who has economic rent in the





proportion of nil, who has the moral right to ask him to pay for something which they have not delivered to him?

MR. ST. LAURENT: There are certainly services which are essential to the rural communities in Ontario, I assume, as in other portions of the country.

MR. PATTERSON: Yes; but in some rural districts there are very few public services.

MR. ST. LAURENT: There is, I assume, municipal taxation throughout the whole of the organized portions of Ontario.

MR. PATTERSON: Yes, I presume so.

MR. ST. LAURENT: And the proceeds of the taxation is expended by the elective representatives of the rate payers.

MR. PATTERSON: Yes.

MR. ST. LAURENT: That does not result in an economic rent?

MR. PATTERSON: No.

MR. ST. LAURENT: Will you file a copy of this brief as Exhibit 105

EXHIBIT NO. 105: Brief submitted  
by the Single  
Tax Association  
of Canada.

MR. BIGWELL: I thank you, Mr. Chairman, and members of the commission for the courteous, considerate and kind attention you have given to our brief. We appreciate it a great deal.

THE CHAIRMAN: We thank you for the presentation of a very interesting brief. It covers one of the very important questions which the commission has to consider.

MR. BIGWELL: If we have been of some assistance we consider ourselves well repaid.

THE CHAIRMAN: The next on the list is the submission



of the Trades and Labour Congress of Canada. The Brief is being submitted by Mr. P.M. Draper, President, and associated with him are Mr. R.J. Tallon, and Mr. Rod. Plant, Secretary Treasurer and Associate Secretary respectively. I understand Mr. W.L. Best and Mr. W.H. Phillips of the Joint Legislative Committee of the Railway Transportation Brotherhood, and Mr. L.A. Besudry of the Brotherhood of Railway Carmen of America are associated with Mr. Draper in the presentation of the Brief. All right Mr. Draper.

Mr. P.M. Draper, Mr. R. J. Tallon, and W.L. Best were called and examined.

MR. DRAPER: Mr. Chairman and Gentlemen of the Commission, as indicated by you Mr. Chairman, I appear before you with this delegation representing the Trades And Labour Congress of Canada, and the Joint Legislative Committee of the Railway Transportation Brotherhood to present the brief which is a chronological citation of the activities of the Trades and Labour Congress of Canada covering a period of 55 years in an endeavour to secure remedial legislation on behalf of the organized workers of this dominion.

The brief has been, I may say, very carefully prepared and I shall proceed to read it with your permission.

SUBMISSION MADE BY THE TRADES AND  
LABOUR CONGRESS OF CANADA TO THE  
ROYAL COMMISSION ON DOMINION-  
PROVINCIAL RELATIONS, AT OTTAWA  
JANUARY, 1938.

"The Trades and Labour Congress of Canada welcomes this opportunity of appearing before the Royal Commission on Dominion-Provincial Relations in order to set out our views and opinion upon the present constitutional



position in Canada. For a rather young country, during a time of domestic expansion and unparalleled world changes, it is to be expected that the basic law -- the Constitution -- would require periodic review, the more so because we operate under a federal system. To the student of a later generation it may well be a cause of surprise that seventy years were allowed to elapse between the passing of the British North America Act and this first enquiry into its operations, but for our own part we most certainly welcome it even at this late date. We have confidence that the Commission will give every consideration to our case, and if we do not develop any points which are particularly novel (that being extremely difficult when the Commission is receiving so many exhaustive briefs from all sections of the country) at least we may be able to acquaint the Commissioners with the views of Organized Labor on a subject of such complexity but of such vital consequences to all our citizens.

#### FIRST SECTION

##### Nature of Presentation

We would point out that the views of the Trades and Labor Congress as now expressed have not been formulated merely for the purpose of presentation to the present Royal Commission. On the contrary, they are the outgrowth of more than fifty years of experience of Canada's organized workers, because a reading of the proceedings of the Annual Conventions of the Congress from 1883 to date will show that, in advocating social and labor legislation, the Congress early recognized the barrier to progress imposed by provincial juris-





in certain fields, and in consequence for several years we have consistently sought amendment to the British North America Act to give the parliament of Canada law making powers when we thought that such authority should properly rest with the Dominion.

Moreover, we have no thought of attempting a legal argument to prove in detail that the judicial committee of the Privy Council may have erred in its series of decisions giving jurisdiction to the provinces in a variety of matters, where we believe the authority should be Federal, though of course we shall have to refer to that phase of the case. The Commission, when it has completed its work, will undoubtedly have received a number of outstanding legal opinions on the meaning and effect of the Privy Council's judgments, making it quite unnecessary that we should add to the list. What we do propose, however, is to submit a layman's argument for greater Dominion jurisdiction, based on the facts of every day life as they must be met today by the Canadian working class population, looking to broader Dominion powers in questions touching the welfare of the wage earners.

SAFEGUARDS OF BRITISH NORTH AMERICA  
ACT RECOGNIZED BY THE CONGRESS

The legislative machinery functioning in Canada is federal in character. We emphatically do not advocate any change of that character. We believe that the federal system should be maintained, that the provinces should remain with certain well defined fields of exclusive jurisdiction. We also hold that those minority rights as to education,



marriage laws, language and so forth, at present safeguarded, need not be touched in order to bring about the changes required to give Canada a modern constitution. Nor do we believe that the rights of the provinces to make laws regarding "property and civil rights" and "matters of a merely local or private nature" need be interfered with, providing those phrases do not continue to interfere with matters which should properly be Dominion in scope.

#### TWO IMPORTANT PRINCIPLES

Where social and labor matters are concerned, the effect of the series of judgments of the privy council on the British North America Act has been to declare for provincial jurisdiction with rare exceptions because such subjects were held to be matters of civil rights and hence provincial. Without presuming to question the soundness in law of the decisions, it can be pointed out that the entire course of those judgments might just as well have taken an opposite direction in so far as the opinions of the Judicial Committee are concerned. We base this statement on two important principles laid down by the Privy Council itself in dealing with our constitution. The first of these principles was given in a decision of 1896 (the Distillers' and Brewers' Case) when their Lordships stated that they did not doubt that some matters, in their origin local and provincial, might attain such dimensions as to affect the body politic of the dominion and to justify the Canadian Parliament in passing laws for their regulation or abolition in the interests of the Dominion." Obviously this means that a matter of civil rights or of a local or private nature in





its origin should cease to be reserved exclusively to the provinces when it becomes of such prominence to attain national significance.

The second principle, contained in the decision on the *Radiq* case (1932), may be taken either as an extension of the first, or as a parallel to it. Lord Dunedin, in giving judgment, had established that the point at issue was given by the Act neither to the Dominion nor to the provinces. As a residual power, and as a matter essentially national, jurisdiction was declared to rest with the federal authority.

These two principles might be considered as one were the national development of a question, previously local in nature considered to give rise to an entirely new question -- which would appear to be largely a point of view. This point we stress, because it shows briefly on what an insecure foundation the interpretation of the constitution, as it has developed over the years, is based. Previously we said that the separation of powers by judicial decision as between the dominion and the provinces might have been opposite in the field of social and labor legislation, and our submission is that had the privy council applied either (or both) of its own principles here quoted, the jurisdiction in many matters would have been awarded to the Dominion of necessity. But, unfortunately, the Privy Council did not see fit to follow either.

#### THE PRINCIPLE OF LOCAL MATTERS GROWING INTO NATIONAL PROPORTIONS.

In 1925 a decision of the privy council dealt with the validity of the Industrial Disputes Investigation Act (often called the Lemieux Act),





a statute of the Dominion Parliament passed eighteen years earlier to facilitate the peaceful settlement of industrial disputes where a strike or a lockout existed or threatened. The Privy Council ruled the Act to be an attempted invasion of provincial jurisdiction (except in so far as the dominion might have authority for particular reasons) and thereby gave the provinces jurisdiction in most of the field of industrial disputes. We believe this to have been a clear-cut negation of the principle laid down in the Distillers' and Brewers' Case of 1896.

The 1925 decision was based on civil rights. That the private and personal relationship between employer and employee is a matter of civil rights, a matter local in nature, and therefore provincial, need not be disputed. But what is open to dispute is that the particular applies to the general. When tens and hundreds of employees feel that their interests require them to strike, or where they are threatened with a lockout, the matter goes beyond a private one, or a question of the individual employee's relations with his employer. The social status of a large portion of a community may be at stake. Other industries may feel the effect of the dislocation following a severe dispute. -- other industries locally, provincial or interprovincially. We contend that in such circumstances due to modern organization, both trade union and business, the case of industrial disputes is such a one as might be considered as coming under the principle of the 1896 decision. A matter is one of civil rights when only an individual is affected,



but it becomes national under modern conditions when the private interest common to many becomes a public question. Applying the principle, a strike or lockout, existing or threatened (if of sizeable proportions), ceases to be local or private under our conditions of today, and consequently should be considered as national. But in the Lemieux Act case no weight was given to the new development of strikes and lockouts -- decision was made just as if it were no more than a coincidence that an employer locked out several employees, rather than one only, at the same time, or that many employees "downed tools" at once. If any example existed where a matter of civil rights or a matter local or private in its nature, "might attain such dimensions as to affect the body politic", surely that example is the difference between the relations of an employer and one employee, and that of a large scale employer or a group of employers, and some hundreds or even thousands of organized employees.

We shall give one further illustration of a matter which in the beginning was a question of civil rights, or was private in its nature. The old common law gave an employee a right of action against an employer for injury met with in the course of duty. Modern production among other things led to many more accidents, which brought out the fact that the common law procedure was slow and indefinite. In the course of time, and fairly late last century, in Canada and the United States (and also in other countries) there was introduced workmen's compensation to cover accidents, and with



the introduction of workmen's compensation in Canada, the older common law procedure was done away with, in favor of a provincial fund for which employers are assessed and from which claims are paid under statute and regulation. Eight provinces in Canada now have such funds. Here is a case where the provincial legislatures one by one admitted that the older method of dealing with a new problem was inadequate: in other words, what was a private matter -- the relationship of one employer and one employee -- has become a problem to be dealt with in the mass. And as employees in all provinces faced the same problem, the question had become national. Properly, in our judgment, the matter should then have become one for federal legislative action. Employees in all provinces needed the same protection at the same time -- a degree of protection which the provincial legislatures sooner or later admitted could not be given under the arrangements existing, in 1867, namely, under the rules of common law. The need for uniformity across Canada, the need to place interprovincial costs on an even footing, should have indicated compensation as a federal matter, but no such recognition has ever been made -- probably in the belief that the privy council would invalidate Federal action.

We are fully aware of the attitude adopted since by the Judicial Committee in regard to Lord Watson's words in the 1896 decision. The Committee has not negatived the force and effect of the principle laid down but notably in the 1937 decision on Weekly Rest, Minimum Wages and Limitation of Hours, an attempt has been made to "explain away"





this important principle by the device of attaching such conditions to it as to nullify it. Now the Committee says in effect that the principle applies only in an emergency -- and while the existence of an emergency is a matter of fact, not of law, it is always to be subject to court findings. In regard to this later reversal of the principle we can only say that it is entirely unsatisfactory to the layman -- as it unquestionably must be also to many learned legal gentlemen. If a problem gradually changes in nature and extent, so as to pass the competence of the Provincial Legislatures to deal effectively with it, it matters not whether the change is gradual or abrupt; the result is always the same. Legislative and administrative machinery as existing are powerless and in common sense some other method should be found. That method in this case was set forth by Lord Watson forty years ago, but now it develops that, in the opinion of the Privy Council the method is not to be applied in cases of, and because of, the need for it, but rather because an emergency has produced the need, and only when such is the case. We must say that to the layman this is an instance of making the interpretation of the law of first importance and the interests of those to be dealt with under the law of minor importance. And yet the privy council is far from consistent. In support of its findings in the Aeronautics Case (1932) their Lordships had given the same principle as Lord Watson, as one reason for their judgement, there using the words "aerial navigation is a class of subject which has attained such dimensions as to affect the body politic of the Dominion."



THE PRINCIPLE OF RESIDUARY  
POWERS

If those problems which give rise to social and labor legislation are considered as new problems, new since 1867, then clearly they could not have been dealt with in the British North America Act, from which fact it would follow that laws in this field would have to be Dominion. It is our submission that these problems are new problems, that, the privy council to the contrary notwithstanding, unemployment, unemployment and social insurance, industrial disputes, workmen's compensation, the regulation of wages and hours, old age pensions and the rest are new problems, are classes of questions not foreseen in 1867, and that attempts to decide their jurisdiction today upon the basis of what, if anything, may have existed seventy years ago as problems in their stead is an attempt to deal with grave issues upon the basis of a legal fiction.

At the time of the passing of the British North America Act in 1867, the political and economic policy of laissez faire was still dominant in Britain and as the Act is a statute of the Imperial Parliament, the prevailing opinion that

industrial and social problems could best be solved by the non-interference of Government would of itself indicate that the modern close association of governments with employer-employee relations could not have been foreseen. Judged by pre-Confederation legislation, the Canadians who drafted the Act hold views similar to those then existing in England. In Britain only a feeble start at factory regulation had been made -- in Canada not



a fair start was in evidence. More than forty years passed after 1867 when Britain herself pioneered in unemployment insurance, showing that unemployment as a problem for Governments was of recent growth. Over thirty years passed in Canada before there was a recognized need for a Labor Department. Strikes were all but unheard of in 1867 in Canada -- and not for thirty-five years did Parliament feel it necessary to attempt legislation for their settlement. Except for some negligible beginnings late in the 1800's, a vast amount of statutory law in Canada, the product of Parliament and the Legislatures, on hours of work, wages, strikes, compensation and other labor matters, is the development of the last thirty-five years, a development which could not have been foreseen seventy years ago. These facts, we submit, are potent evidence that the change in the attitude of Government toward social and labor problems has not been brought about by a change in the degree or kind of these problems: it has been brought about by the growth of new problems. The newness of these problems is, in turn, supported by the newness of the legislation covering them.

#### ORIGINAL INTENTION AS TO DIVISION OF POWERS

Firmly convinced as we are that it would have been at least equally good law had the Privy Council, as the court of last resort, found in favor of wider Dominion jurisdiction in the series of cases referred, we are equally satisfied that the case for broader federal powers based on the facts of our present economic organization in





Canada, and our seventy years of virtual encroachment by the Provinces on the field of Dominion jurisdiction, cannot be refuted. Before referring, however, to the separation of powers which modern conditions would dictate as advisable and necessary, brief notice should be taken of the kind of union which the Fathers of Confederation thought they were establishing in 1867.

That a Federal constitution was adopted instead of an organic union shows that there was to be a division of powers. That the union was to be close, rather than the reverse, has been disputed rarely and there seems no doubt that it was intended to give the dominion the larger powers and the provinces the lesser. In support of this statement the opening words of the British North America Act may be cited. The Act described itself as "An Act for the Union of Canada, Nova Scotia and New Brunswick and the Government thereof...." The word "Union" was used, not federation or confederation, which would mean something less solid and less close knit, but "union" which is pretty definite and compact to the average mind. In its opening words the Act sets out the expressed desire of the provinces "to be federally united," and while the word "federally" is here introduced (necessary to cover the provision for Provincial Legislatures) the sense of "union" is still preserved. A union becomes meaningless unless larger questions were to receive treatment at the hands of a single authority -- the Dominion Parliament. Lord Carnarvon, who introduced the Act into the House of Lords, has been quoted in legal opinions as saying with reference to the measure that "the



object in view was to give to the central government those high functions and almost sovereign powers by which the general principles and uniformity of legislation might be secured in those questions that were of common import to all the provinces" and at the same time to leave to the province local matters. Lord Sankey, in the *Aeronautics* case, referred to the intention in regard to the Dominion authority in almost the same terms and other privy council decisions have set forth the same idea. To carry through the original intention of Confederation it seems that all those functions of Government should be federal where it can be established that uniformity of legislation is necessary, when they are of "common import to all the provinces" with, of course, those particular reservations usually called "minority rights." Thus, it seems to the Trades and Labour Congress that the intention in the mind of the original promoters of the British North America Act and the needs of today in regard to the constitution are in agreement, namely, that the Central Government should be able to exercise those functions one would expect to find a central government possessing, that is to say, jurisdiction in questions of common import throughout the nation in matters where uniformity is highly desirable, in matters where the size of the problem exceeds provincial competence, as well as in matters more readily recognized as interprovincial in scope.

#### VAST CHANGES SINCE 1867 IN CANADA'S ECONOMIC STRUCTURE.

It is inevitable that new problems should



have arisen which were not known in 1867. It is also unavoidable that methods of seventy years ago in meeting a Government's responsibility would not be adequate today, that problems would have so changed in the meantime as to require new solutions. And while the changes, both political and economic, which have introduced the new problems are too well known to require extensive examination, some of the more important will be mentioned.

Expansion of the Dominion: At the time of Confederation only four provinces were included -- today there are nine and about one-half of the present breadth of our settled territories was still virgin lands in 1867. The British North America Act aimed at making provision for the admission of further provinces, but in practice it had to be fitted to a geographical unit immensely greater than the four original provinces, and this was done without change in the basic principles of the Act itself. The population has increased to about four times that of seventy years ago -- an increase which meant new problems."

Now, I am going to ask my associate, Mr. Tallon, to read a portion for me, as I am bothered with a bad cold.

MR. TALLON: The brief continues:

Changes in Transportation and Communication:  
Transportation and communication have vastly changed and improved and nowhere more so than in Canada. The building of our great rail mileage, the introduction of the motor car and highway traffic, the relatively lesser importance of inland water transportation, electric power, the airplane, radio -- these have all brought problems unforeseen





in the sixties, problems of regulation of big business, of industrial relations. But more important still the flow of trade and commerce, both at home and abroad, has taken on a character undreamed of in 1867. This has made possible the building up of huge industrial establishments and chain organizations, each of which services a large portion of the community in its own field, compared to the local character of industry previously existing. In other words, the basis of competition, both internal and external, has been infinitely broadened by our improvements in transportation and communication and it then becomes necessary that conditions of employment be fairly uniform throughout Canada, in order that competition may be fair. If a province regulates hours and wages, it must study the effect on the sale of products from a province not having such regulation, which fact points the necessity for uniform regulation by the Dominion in the interests of even competition interprovincially.

Growth of Huge Commercial Units: Reference has been made to the growth of huge industrial and commercial undertakings. The amount of capital required for success in the railway industry, iron and steel, some kinds of construction, or mining, closes the means of escape from the large scale enterprises in these industries, to mention only a few, and industrial relations differ much between the small concern, where the employer maintains personal relations with his employees, and the large scale employer. The large corporation is a more skilful bargainer on conditions of work and sometimes a more



relentless adversary of striking employees. Somewhat the same conditions apply in such lines as chain stores and large departmental stores, built up by the economy of large scale buying. Such enterprises were not known in 1867, when business methods were so much different from today. Also, the growth of national trade union organization helps to remove the local character of industrial relations.

Attitude of the Public: We venture the opinion that in no field of political thought has the popular attitude toward the duties of government changed more since 1867 than in regard to the duty of government in social and labor matters. As previously stated, the principles of laissez faire were fully applied in Britain at the earlier date -- competition amongst all economic classes was the great regulator, and only rarely need the government intervene and then only as an umpire to see that the few rules in effect were being complied with. Canada, at Confederation, followed the same policy in such minor problems of social and labor relations as had arisen in a new country mostly agricultural. But things have changed in Britain and they also have changed here. Public opinion demands government conciliation in labor disputes, a fact proved by the extensive legislation we have on that subject. A decade ago public opinion sanctioned pensions to meet the problem of old age -- though for sixty years, as a Dominion, old people, if poor were left to chance or charity. Some assure us that the depression commencing in 1929 was no worse than earlier depressions, especially that in the seventies, but public opinion



required Governments to recognize it as a duty to provide public relief on a scale unknown in pre-War depressions -- in fact, Dominion participation in public relief is a post-War development. Workmen's compensation and wages and hours regulation, as well as several other branches of social and labor legislation, might be mentioned to show that the public today authorizes and approves governmental regulation and interference in employer-employee relations on a scale which the public in no Empire country would have endorsed seven decades ago. Public opinion favouring government protection of those who cannot protect themselves has grown with the growth of new problems. It is a force to reckon with in recasting the separation of powers between Provinces and Dominion. This public attitude is not confined by provincial boundaries, but is national, for all provincial legislatures have made some moves in the field under discussion. The legislation in the more important branches should be as national as the popular opinion supporting it.

#### SECTION SECTION

We have sketched our reason for believing that the Dominion Parliament should have broader powers in dealing with social and labor legislation, and we wish to treat next with the particular constitutional changes which we believe are in order. Before doing so, however, we would like to offer a few observations on how the changes we desire might be secured.

#### METHOD OF AMENDMENT TO THE BRITISH NORTH AMERICA ACT.

The British North America Act gives no procedure to be followed to show Canada's desire





for a change and we believe that it would be well that that be provided.

The Congress has no preference for any particular form of change which would permanently give means for the amendment of the constitution from time to time, though we believe that any provision for further amendments should (and no doubt would) be based on these principles:

1. That amendments be made possible here in Canada without reference to the Imperial Parliament.

2. That amendments be neither too easy nor too difficult.

3. That "minority rights" be fully protected.

4. That there be public enquiries like the present at intervals to give all sections of the public a hearing on Dominion-Provincial Relations and constitutional questions. Attention might be called to the ten year revision of the banking system when charters are renewed and the regular revision of the statutes -- periodic revisions to bring things up to date.

It seems to us to follow that, if Canada took power to amend her own constitution, appeals to the Judicial Committee should be abolished, especially in constitutional issues. Our judges enjoy a high reputation for integrity and their knowledge of the law has never been shown to be less than judges elsewhere. Moreover, when matters of fact, as well as law, are up for decision, Canadian judges are in a better position to decide. The Congress for several years has advocated abolishing appeals to the Privy Council.



"Personal Rights:-- The Congress firmly supports constitutional democracy, believing that no better system of government has yet been devised, since it allows all citizens a share in governing and provides for orderly improvement of conditions as they exist. As a principle we believe that the constitution should give every possible support to the democratic system. Therefore, the constitution should assert that in our Canadian governments, democratic institutions and none other, are to be followed. It should also assert the right of free speech, free assembly, a free press, and the free right of workers to organize for mutual protection, with the dominion given jurisdiction to make laws to define these rights and to provide penalties for interfering with them.

These rights are absolutely necessary in a true democracy, and all should be given definite, legal standing when lawfully exercised. The right of workers to organize is as fundamental as the rest: if workers cannot join a union without fear of dismissal, their rights are being stopped by economic pressure. These rights, including that of organizing, we have urged for many years. A further fundamental right is that of worship according to conscience and while happily there is no evidence of interference with this right it too should be safeguarded in the constitution. These rights represent centuries of struggle. They have been won by bitter fighting and we, the descendants of those brave men and women who won them for us, should strengthen the public hold on them



" for those who come after us.

The Senate: The Senate has frequently blocked the popular will as expressed in the House of Commons. As this is not consistent with democracy, we believe that the powers of the Senate should be curbed, and we suggest a rule similar to that in Britain, that is, that a Bill passed at three sessions by the Commons, becomes law regardless of the Upper House.

Treaties: As Canada is a nation her central government should be able to speak as the government of a nation among nations. The Dominion should have the right to conclude and act upon international treaties, including conventions of the International Labour Office - a power denied by the Privy Council.

#### Social and Labour Matters.

We submit that the following matters are of dominion-wide concern: arbitration and conciliation in labour disputes, social insurance, including unemployment and health insurance, workmen's compensation; mothers' allowances and old age pensions; fixing minimum wages and maximum hours of work, including one day's rest in seven; factory inspection; employment bureaux; stimulation of technical education; and the use of injunctions in labour disputes. We submit that all these matters should be given to the dominion authority for legislation and administration. All are either new problems, and therefore properly federal, or they fall under the definition of provincial matters becoming national, as laid down by Lord Watson.





"To sum up, we urge that the dominion be given complete authority in the fields just mentioned because: (a) the matters are of common concern across Canada; (b) they are largely matters calling for dominion resources and financing, rather than provincial; (c) uniformity of treatment in the different provinces is highly desirable; (d) interprovincial trade competition calls for uniformity; (e) the original intention was that such matters be federal in scope at least as definitely as that they be provincial, and we believe that the weight of argument is on the side of federal jurisdiction from the very beginning.

#### Transportation Matters.

From Confederation the railways have been expected to furnish the physical links to bind the provinces together. This they have done and are doing, and in their operation they provide a heavy volume of employment to Canadians. Other systems of transport have developed, and offer competition to the railways, particularly the motor vehicle, though the airplane competes to some extent, while transportation on inland waters has always offered competition. Each system of transportation has its value to the community, and each should be encouraged but the one which is subject to the most strict regulations is the railway. In order that public rights may be protected, so that we may be assured of economic transportation from a coordinated system under government regulation, we urge that the dominion be given the right to regulate



"all classes of transportation in the interests of Canada as a whole. Nothing is more necessary to our unity as a nation, to our trade and commerce, to our population, than a properly regulated system of transportation, subject to regulation by a single authority.

#### Relief of Unemployment.

We suggest that the dominion be given complete jurisdiction to relieve distress in all parts of Canada at this time, while changes in the constitution to allow more permanent measures may be pending.

We feel that the dominion is the only authority to cope with a problem the size of the present relief situation.

#### Research into Employment.

We also recommend that a permanent national body be constituted for the purpose of conducting a scientific investigation into the human factor in industry, the apportionment of the wealth invested in and produced by industry, the relation of international exchange to our national economy, and consideration of making effective national control of financial credit. These and other factors should be carefully examined and surveyed by some permanent fact-finding body if we are to maintain regularization of employment and a more equitable distribution of purchasing power.

#### Taxation.

Realizing that with increased responsibility of administration dominion authority will require greater sources of revenue, we recommend that the income tax and estates tax be made federal.



"Besides providing needed revenue to the dominion, this change would effect other purposes: (a) removal of duplicate or triplicate income levies; (b) uniformity of rates of income and estate taxes in the nine provinces; (c) reduction of excessive estates to the benefit of Canada.

#### Conclusions to Recommendations.

Earlier we stated that our views on widening dominion power from that allowed by the Privy Council had been a development over the years with the Trades and Labour Congress. In support of this assertion we now quote an Executive recommendation adopted at our 1925 convention which was a summing up of our views formed during forty years previously. This reads as follows:

"The need for amendments to the British North America Act so as to give greater authority over dominion affairs to the Parliament of Canada has been emphasized by several events which have happened during the past year.

The decision of the Privy Council which took away powers to deal with industrial disputes which have been exercised unchallenged by the dominion government for the past seventeen years raised the question in many quarters as to whether the right of appeal to the Privy Council should be abolished especially in respect to matters which concern only the internal affairs of Canada.

The inconsistency of having such a vital question decided by authorities outside of Canada, whilst leaving the question of the eight-





day, which affected the constitutional rights as between the several provinces and the dominion to be settled by the Supreme Court of Canada, only served to emphasize the belief that that court should be competent to deal with all matters affecting Canada alone. The enormous expense involved in presenting a case to the Privy Council in England practically debars labour from defending its position in that last court of appeal and to that extent places the workers at a disadvantage with wealthy corporations.

The constitution of the U.S.A. provides for its amendments by a vote of two-thirds of the states of the union and most other countries have some provision for amending their constitution so as to meet present day conditions.

Constitutional reform, however, appears to be impossible in Canada until changes are made in the British North America Act.

..... Your Executive believes that the time has arrived when amendments to the British North America Act should be secured which would give greater authority to the dominion parliament and bring about more centralization of our laws which vitally affect the conditions of wage earners in this country and that it is only by such a step that any essential social reform can be brought about and made equally applicable to all citizens of Canada."

MR. DRAPER: With your permission, Mr. Chairman,

I will present the third section:



" One of the main functions of the Trades and Labour Congress of Canada is described in its constitution as : 'promoting legislation in the interest of organized labour in the dominion of Canada and assisting in safeguarding the social and economic standards of the workers.' In the performance of this duty the Congress has had fifty-five years of experience in endeavouring to enlist the sympathetic support of governments, federal and provincial, in furthering laws to aid Canada's wage earners. It is intended to give in this section a brief review of each of the more important fields of labour legislation in Canada, particularly noting when decision was first taken by the convention of the Congress to press for legislative action. It will be observed that, regardless of the nature of the particular field, jurisdiction is largely, if not exclusively, provincial. It will be noted also that in practically every case the early decision of the Congress was to press for dominion legislation, a point of more than passing consequence, in those matters urged many years ago by the Congress, urged when Confederation was newer and when its original intentions were more generally understood by the average man. Under each heading we mention the beginning of our advocacy of the item and in all cases it may be taken for granted that we consistently urged action through the years that followed until our wishes were met, although reasons of space make it necessary to omit the details.

Under the more important heads we indicate



"the present progress of provincial legislation. The frequent mention of Prince Edward Island as not having legislation is not emphasized, as that is a non-industrial province. The varying number of provincial statutes in each class and the variety of times at which the provinces took action indicate to some extent the great lack of uniformity in Canada's labour legislation, a lack which is everywhere emphasized in reading the Acts themselves. Many of these statutes are inadequate or are weakly enforced. The Congress feels that the general resulting situation is to be deplored.

#### Arbitration and Conciliation:--

The Trades and Labour Congress of Canada, from the time of its first convention in 1883, has favoured intervention by the government by way of conciliation and arbitration in industrial disputes. It was at our request that the Dominion Parliament enacted the Conciliation and Labour Act of 1900. As this Act did not prove entirely satisfactory, in 1907 Parliament enacted a new law, the Industrial Disputes Investigation Act (i.e., the Lemieux Act). While organized labour was at first divided in opinion upon the suitability of this Act, as its provisions became more widely understood, largely as a result of being extended to industry generally during the war, the Congress became a strong supporter of the measure and sought to have its provisions permanently extended in industry. This, however, was held to be beyond the powers of the federal





"Parliament, except temporarily under the War Measures Act which lapsed in 1920. The constitutional limitations of the Act were made plain when it was brought into the courts in 1924 and 1925 and in the latter year the Privy Council declared the statute ultra vires of Parliament.

An amendment to the original Act was then passed making it applicable to classes of industry definitely under dominion jurisdiction, and to disputes under provincial control only where the province passed enabling legislation. Such legislation has been passed by the eight larger provinces. As the Lomieux Act refers only to disputes in mines and public utilities, many important disputes are not covered by it.

Workmen's Compensation:-- In 1886 the Convention of the Congress decided 'that the Dominion Government be petitioned for the enactment of an Employers' Liability Act.' When it was found that the Dominion Parliament had not the necessary legislative jurisdiction, steps were taken to secure Workmen's Compensation legislation through the provincial legislatures. The first Act was passed in Ontario in 1886, and forty years later the province of Quebec, the eighth province to grant labour's request for such legislation, took similar action, leaving Prince

Edward Island as the only province without such a statute. Some progress has been made by the provinces themselves towards securing uniformity in this type of legislation, but there is still wide variation in regard to the benefits paid and other



"conditions.

Employment Bureaux:-- The Trades and Labour Congress first sought the establishment of a national system of free government employment bureaux in 1897, but the matter was held to be one for provincial action. Beginnings were made in Quebec and in Ontario shortly before the war but it was not until dominion legislation was enacted in 1918 coordinating the provincial employment services into a national system that a real advance was made. Administration was left with the several provincial governments, while the federal government began annual subsidies towards the cost of maintenance of the provincial bureaux and in return for the assistance given secured a degree of uniformity and interprovincial cooperation. All provinces cooperate except Prince Edward Island. The National Employment Commission, in its interim report in June, 1937, pointed out the inadequacy of this divided form of administration for the employment service, and strongly urged that the federal government assume the full cost and administration of a national employment service.

Minimum Wages:--The 1899 Convention of the Congress declared for dominion legislation 'establishing and endorsing a minimum wage for all classes employed in factories and workshops in the dominion.' Subsequently this resolution was followed up in regard to women rather than in regard to all workers, for opinion in the Congress was somewhat divided on the subject of minimum



"wages for males, fearing minimums would also be maximums. For some years progress was made in so far as women and girls were concerned until finally all provinces except Prince Edward Island had adopted Acts, but perhaps due to the attitude of organized labour little progress was made concerning males. More recently labour's opinion has solidified in favour of some minimums at least, and in very recent years a new type of legislation has appeared, which seeks to establish rates of pay and conditions of work through agreement in the industry, such agreement to be made applicable to all in the industry in the prescribed district through provincial ordinance. Such Acts have now spread to a point where, in one form or another, wages for males in at least some lines are subject to the fixing of legal minimums in all provinces, but widespread variation exists from province to province. On this as on other matters, parliament's attempt to legislate in 1935 was declared invalid.

Hours of Labour:-- The first declaration of the Congress for legislation to restrict hours of work was for an eight-hour day, made at its Convention in 1892, which suggested that 'such day can best be secured by an Act of Parliament.' While the two delegates representing the Dominion government at the first session of the International Labour Conference in Washington in 1919 voted in favour of the draft convention for an eight-hour day, the right of the dominion government to implement this convention was contested by some of





"the provinces. Some years ago a reference to the Supreme Court of Canada resulted in an opinion being given that legislation limiting hours of work was within the legislative jurisdiction of the provinces, except in so far as it concerned employees of the dominion government or those employed on dominion works. The most that has been possible for the dominion parliament to do since the then has been to enact the Fair Wages and Eight-Hour Day Act of 1930, limiting the hours of work to eight in the day on works covered by dominion fair wage provisions. In 1935 the parliament of Canada passed legislation which would have implemented the draft convention of the International Labour Organization with a legal maximum work day of eight hours, but this was declared ultra vires of Parliament by the Judicial Committee of the Privy Council in January, 1937. The efforts of organized labour to secure outright eight-hour legislation provincially met with success only in British Columbia, other provinces expressing the fear that to comply with this request, unless all other provinces acted similarly, would place the industries in the province at a serious competitive disadvantage. However, the recent development of legalized agreements on conditions of work provides a means of partially limiting hours in several provinces.

Technical Education:--The Trades and Labour Congress, at its 1901 Convention, declared for a system of technical education under the auspices of the federal government. Based on the



"recommendations of a Royal Commission the (federal) Technical Education Act of 1919 was enacted. Because of the restrictions of the constitution dominion participation was confined to giving the nine provinces financial aid under certain general conditions. This Act was for a ten-year period only, though extension for five years for provinces which had not earned their full grants was made by parliament. In 1931 parliament passed a new Act similar to that of 1919, but it has never been put into actual operation. Due to withdrawal of dominion grants, development in the field of technical education has been dormant for almost a decade. This is a serious situation, both for the industrial development of the country and for our young people.

Factory Acts:-- The 1886 Convention of the Congress adopted the following resolution:--

'That this Congress favors enactment of a national law, as enforcement of more stringent laws for the regulation of factories in some provinces than in others is calculated to practically affect the manufacturers of the province having the stricter laws; and, that should it be found that under the terms of the British North America Act such legislation is not within the jurisdiction of the dominion parliament, steps should be taken to amend the constitution in that respect.'

This resolution, passed within twenty years of Confederation, indicated that at that time the workers believed that the dominion parliament should have the necessary legislative authority to enact and



"administer a factory act. The field has remained to the provinces, with the usual interprovincial variation both in laws and enforcement. All provinces have factory acts, except Prince Edward Island.

**Mothers' Allowances:--** The Trades and Labour Congress, at its 1912 Convention, requested a federal law 'providing a pension for widows, deserted wives, also wives of prisoners.' When it was learned that such legislation was not within the legislative competence of the dominion parliament, the Congress had once more to seek provincial legislation. Some provinces have taken action but much further distress, which has occurred to mothers either through the absence of legislation or through being deprived of benefits because of restrictive residence qualifications in provincial acts, would have been avoided had there been a dominion Act. Provincial acts have been passed in all provinces except Quebec and Prince Edward Island.

**Health Insurance:--** A national system of health and sickness insurance was first favoured by the 1920 convention of the Congress. Decision was given that this lies exclusively within the competence of provincial authorities, but so far only British Columbia has passed a Health Insurance Act.

**Right to Organize:--**The Trades and Labour Congress of Canada has maintained from its inception the basic and legal right of workers to organize, but it was not until the 1922 convention that decision was reached to seek legislation on





"the subject, the idea being to approach the dominion. When the Congress was informed that such legislation was within the jurisdiction of the provinces, a draft bill was prepared by the Congress on the subject (in 1937) and sent to members of the legislatures. This bill, or the substance of it, has now been made law in five provinces, Alberta, Manitoba, Quebec, Nova Scotia and British Columbia.

Unemployment Insurance:-- Since 1921 the Congress has sought the enactment of a federal unemployment insurance act, but not until 1935 was legislation of the type sought enacted by the dominion parliament. However, this legislation was declared ultra vires of the dominion by decision of the Judicial Committee of the Privy Council in January, 1937. Quite recently the dominion has sought provincial agreement to amending the constitution to permit a dominion act. There are no acts on the statute books of the provinces on this subject.

One Day's Rest in Seven:-- As early as 1890, at its annual Convention, the Congress declared for a Sunday observance law 'compelling all employers of labour to close their factories and workshops during the twenty-four hours constituting the Sabbath, excepting in cases of absolutely needed repairs.' Some years later the dominion parliament enacted a Lord's Day Act which, however, can only be enforced by consent of the Attorney-General of the province in which an offence occurs. The limitations of this Act have also made it ineffective to cope with present day needs of one day's rest



"in seven, and in 1923, at the Vancouver Convention, the Congress requested the federal government 'to either amend the Lord's Day Act so as to make same effective in giving the workers one day 's rest in seven; or, otherwise, to enact new legislation to bring about the desired results.' An effort to give effect to this request and to comply with the provisions of the draft International Labour Convention on the matter was made by parliament in 1935, but the law then passed was declared ultra vires by the Judicial Committee of the Privy Council.

Injunctions in Industrial Disputes: At the Congress Convention in 1902, the dominion parliament was requested to enact legislation to prohibit the use of injunctions during industrial disputes.

No progress was made with the dominion as the matter was held to be provincial. In practice provincial restriction on injunctions seems feeble ~~and there~~ is a very real danger here to the workers in their effort to better their lot.

Old Age Pensions:--The following resolution was adopted at the 1907 Convention of the Congress:--

'That the dominion government be requested to reserve a portion of our public lands and arrange for a proper sale of portions of them from time to time to create a pension fund for aged persons or subjects resident in Canada for a length of time to be stated in the Act.'

Though this suggestion was never acted upon, in 1927 the dominion parliament did enact an Old Age Pensions Act operative, however, only in



"such provinces as enacted concurrent legislation.

All provinces now have Acts but administration of the Old Age Pensions Act has been far from uniform in the different provinces. Further, many who would otherwise qualify are denied benefits because of the restrictive residence clause. Again, while the dominion government pays 75 per cent of the cost, it has comparatively little control, if any, over the administration which is provincial.

Conclusion :-- We have now covered the view of the Trades and Labour Congress of Canada in regard to changes in our Canadian constitution. Representing as it does some one hundred and fifty thousand organized employees in Canadian industry it is to be expected that in our submission we would stress the viewpoint of the industrial worker. We feel, however, that we have avoided a scheme of suggestions at all narrow in their attitude. We believe that if put into effect our proposals would be of great benefit to the nation at large. A unified plan of social and labour legislation, if adopted by the parliament of Canada, would bring new hope to our less fortunate citizens, it would improve employer-employee relations in the interests of the public and of industry and its employees, it would equalize competition and taxation interprovincially, and in general it would follow the world tendency of advancing the welfare of the masses in proportion to the increased production of workers in a machine age.

It is with these considerations in mind, fully realizing that human interests should be a paramount consideration in any properly ordered state, that we offer our present submission."





What has been read to you, Mr. Chairman and gentlemen, constitutes the submission of the Congress and the Associated Railroad Brotherhoods.

THE CHAIRMAN: Mr. Draper, there is one question I would ask you. With respect to the administration of old age pensions, is it the view of your congress that the present system of the dominion and the provinces cooperating does not produce satisfactory results?

MR. DRAPER: As pointed out in this brief, sir, it took some years before we could get all the provinces to agree. I believe that Quebec was the last province to agree, and we find that there is continual representation being made. It is submitted to us that a good deal of difficulty lies in the fact that, according to the requirements, people who have been living in one province and have moved into another must give proof of residence for a stated period, and there are various other regulations in regard to this, that and the other thing. You will find on examination that there is no uniformity in the operation of the acts in the provinces, and we are of the opinion that it would be much more satisfactory, in view of the fact that the dominion government now pays 75 per cent of the cost, if the whole matter were dominion-wide.

THE CHAIRMAN: Do you wish to ask any questions, Mr. St. Laurent?

MR. ST. LAURENT: The views of the Congress have been stated quite clearly, but there are one or two points which I think might be cleared up. On page 9 there is a reference to "unemployment and social insurance." I believe that what is meant is unemployment insurance and health and sickness insurance. I just wanted to know



whether the Congress had any other forms of insurance in view than these two.

MR. DRAPER: No. We believe that an Act should be passed making provision for those forms of insurance.

MR. ST.LAURENT: Unemployment insurance and health and sickness insurance?

MR. DRAPER: Yes.

MR. ST.LAURENT: Those are the only two the Congress had in mind ?

MR. DRAPER: Up to the present, yes.

MR. ST.LAURENT: About two-thirds of the way down the page we find the words "old age pensions and the rest." I presume that refers to the same matters that are more fully described under the heading "social and labour matters " on page 17?

MR. DRAPER: You are right in that assumption.

MR. ST.LAURENT: At the foot of page 11 and the top of page 12, there appear certain words which I take to mean that the Trades and Labour Congress is putting forward as a strong argument in support of what it regards the needs of to-day in respect of the constitution.

MR. DRAPER: Yes, sir.

MR. ST.LAURENT: And when you ask that certain matters be transferred from provincial to federal jurisdiction, or suggest that it be made clear that other matters are under federal jurisdiction, your Congress considers that the needs of the day require this?

MR. DRAPER: Yes, the conditions have changed, as you know.

MR. ST.LAURENT: I simply wanted to get clearly in mind exactly what the presentation of the Congress was



on that point. With respect to the submission on page 16 concerning the Senate, did the Trade and Labour Congress give any consideration to the fact that at a recent session of Parliament it was in the Senate that a certain constitutional amendment to allow the provinces to impose indirect taxation was held up?

MR. DRAPER: The Congress has noted that in its annual reports, and that is not the only thing that the Senate of Canada has held up.

MR. ST. LAURENT: I was wondering whether the Trades and Labour Congress had considered whether it would favour an amendment to the constitution giving the provinces the right to impose indirect taxation? Has there been any decision on that point?

MR. DRAPER: No, there has been no decision by the Congress, but I doubt whether organized labour as represented by the Congress would agree to that.

THE CHAIRMAN: That is one mark to the credit of the Senate.

MR. TALLON: It is a poor institution that never had one.

MR. ST. LAURENT: On page 18 there is the suggestion that the dominion be given complete jurisdiction to relieve distress in all parts of Canada at this time, while changes in the constitution may be pending. Has the Congress considered what is in the best interests of the country with respect to the administration of relief?

MR. DRAPER: We believe that the administration of relief should be absolutely a dominion-wide matter and it is our opinion that the situation will never be efficiently and properly handled unless it is undertaken by one authority in the dominion.





MR. ST.LAURENT: Have you given consideration to the fact that unemployment relief might require at one time a very large administrative staff and would then find it necessary to disband that staff with the passing of the crisis?

MR. DRAPER: To me that would be of minor importance in considering the magnitude of the question we have to deal with to-day. The Department of Labour in Ottawa handles the matter from the dominion standpoint in conjunction with the provinces, and, of course, if necessary with an addition of civil servants; and working in conjunction with employment bureaus, and so on, I have no doubt you would have one central authority through which all finances would pass. In our opinion it would eliminate duplication and instead of increasing the staff it should certainly reduce the number of those employed by the provinces now.

MR. ST.LAURENT: So that even from the point of view of administration you think it should be federal -- there should be a federal staff:

MR. DRAPER: Yes, positively.

MR. ST.LAURENT: On the same page there is a recommendation with respect to a permanent national body "for the purpose of conducting a scientific investigation into the human factor in industry, the apportionment of the wealth invested in and produced by industry, the relation of international exchange to our national economy and the consideration of making effective national control of financial credit." Are not practically all those things functions of the Bank of Canada?

MR. DRAPER: No, I do not think they are. What we



want is to have set up exactly what this paragraph proposes, a fact-finding body that will have power to do certain classes of work that will be submitted to it, just as this Commission now has power to do certain things.

MR. TALLON: And if the Bank of Canada could interlock with that it would be in keeping with the suggestion.

MR. ST. LAURENT: But the powers of this Commission are merely powers to investigate and make recommendations and not to enforce anything. This would be an investigating body?

MR. TALLON: Advisory.

MR. ST. LAURENT: It would simply act in an advisory capacity ?

MR. DRAPER: The same as this or any other Commission set up by the government.

MR. ST. LAURENT: At the top of page 26 there is the statement that all the industrial provinces have factory acts. The statement does not go beyond that.

MR. DRAPER: All the provinces except Prince Edward Island.

MR. ST. LAURENT: Elsewhere in the brief Prince Edward Island is said to be not an industrial province. There is no need for a factory act there.

MR. DRAPER: No; that is an agricultural province.

MR. ST. LAURENT: There is no special criticism offered of the content of these provincial acts. In a general way they have been operating satisfactorily?

MR. DRAPER: We seek amendments from time to time.

MR. TALLON: A factory act in one province might, in the opinion of the workers, discriminate against the manufacture of a commodity in some other province.





MR. ST. LAURENT: But the representations of the workers have been sympathetically received, have they not, and carried out in the enactment of factory safeguards?

MR. DRAPER: In a large number of cases, yes.

MR. ST. LAURENT: At the foot of page 27 you make a statement with regard to injunctions in industrial disputes and on page 15 there is what I regard as a well-deserved testimonial to the high reputation of our judges for integrity and knowledge of the law. So far, has not the working population had reason to persist in its high regard for the integrity and knowledge of our judges even when applications have been made to the courts for injunctions?

MR. DRAPER: As a general rule, yes. In our opinion, we have a number of admirable gentlemen sitting on our judicial benches in this dominion. But there is this to be noted in regard to these injunctions. You will observe that when there is a strike, under our Criminal Code we are allowed to peacefully picket, to walk up and down. As the strike continues the employer comes into the picture and trouble ensues and he goes to the courts for an injunction, and then the officers of the labour union have to have that injunction set aside. Of course, one does not go into court without paying fees, and that is quite right; we admit that. But the point is that latterly these injunctions have been taking in a wider scope, as in the provinces of Saskatchewan and British Columbia, interfering greatly with the peaceful settlement of a trouble when it exists. Here for instance is what we find in Winnipeg. There was a first workers' strike -- I am familiar with this because I have been dealing with the matter. I admit that





sometimes employees who are on strike exceed the law in peaceful picketing. But take these fur manufacturers in Winnipeg. They applied here to the State Department, which issued certificates of incorporation, and some of the fellows who were out on strike went back on the union and became strike breakers, or in plain language, scabs. These fur manufacturers applied for a charter to cover themselves and the men that went back on their fellow workmen, and that is one of the results of these injunctions. We want a change in the law so as to protect our people against the injunction system in so far as that is at all possible.

MR. ST. LAURENT: But after all, the injunction is only a method of bringing a matter before the court where it is carefully investigated, and where no blame is attributed to any one unless it is proved that he deserves it.

MR. DRAPER: Although we have a high regard for the judiciary, we do not admit that their decisions with respect to injunctions are always just and right.

MR. ST. LAURENT: But the question to be decided is whether or not picketing has been peaceful or has gone beyond anything that can be so described.

MR. DRAPER: Yes, exactly. That is the whole matter.

MR. ST. LAURENT: And that becomes a matter for judicial investigation. You do not always admit that the view taken is the proper one.

MR. DRAPER: No, we do not, although in general I would say yes.

COMMISSIONER ANGUS: In the middle of page 17 you make this statement:



" We submit that all these matters should be given to the dominion authority for legislation and administration."

I want to be clear on one point. Do you say that these matters should be given exclusively to the dominion, or would you allow the province to legislate on them in the absence of dominion legislation? Both legislate, but you would have the dominion law prevail if there were a conflict ?

MR. DRAPER: We believe that these matters should be given exclusively to the dominion, but in the absence of dominion legislation the provinces should be in a position to legislate.

MCOMMISSIONER ANGUS: What I meant was this, if I might give an example. Suppose one province were ready to enact a scheme of health insurance, having the majority to enable it to do so. Is it in your opinion better that it should be free to do it then, or do you think the province should have to wait until the majority in the dominion can be convinced?

MR. DRAPER: Until legislation is passed by the dominion as a whole to cover all provinces we are in favour of each province enacting its own legislation. Until there is dominion-wide legislation we think that each province should introduce its own legislation to cover health insurance and other matters, as in British Columbia. But what we favour is a dominion-wide health insurance scheme.

COMMISSIONER ANGUS: What you favour is that ultimately the legislation should be dominion-wide but that the province should be free to pass legislation up



to the time when the dominion assumes responsibility?

MR. DRAPER: Yes, that is our position.

THE CHAIRMAN: You say that your membership is 150,000 ?

MR. DRAPER: Yes.

THE CHAIRMAN: Can you tell us approximately how that is distributed over Canada so that we may have an idea of the strength in the different provinces?

MR. DRAPER: I did not bring any financial statement with me but I may say that we have some 1890 federal unions and local unions covering about 66 trades, printers, telegraphers and so on. These unions are in every province in the dominion, from Prince Rupert to Sidney, and we have some 50 or 60 trades and labour councils. The last financial statement of the Secretary-Treasurer showed 137,000 paid-up members in the organization. Since the depression a certain number of members have been out of work, of course, but that is the number of those who are paid up. And in addition to that there are four railroad brotherhoods with a membership of 25,000.

THE CHAIRMAN: You have a membership of about 150,000 in all the provinces, with unions throughout Canada, except possibly Prince Edward Island?

MR. DRAPER: We have the railway organization there.

THE CHAIRMAN: The railway brotherhoods represent 25,000.

MR. BEST: Between twenty and forty thousand; it varies.

THE CHAIRMAN: Is the other organization included in the railway figures?





MR. DRAPER: Those represented by Mr. Beaudry are in the Congress membership.

THE CHAIRMAN: So that this group speaks for between 180,000 and 190,000 workers?

MR. DRAPER: It does, yes.

THE CHAIRMAN: Distributed throughout the provinces?

MR. DRAPER: Yes, we speak for at least that number. But there are, of course, a certain number of our members who are out of work and who are being carried on the books until they can get work. We never report a member to the convention, however, unless he is paid up and in good standing, because we do not believe in representing organizations that only exist on paper, whether labour or otherwise.

THE CHAIRMAN: We thank you and your associates, Mr. Draper, for the brief which you have presented. You have set forth your views clearly and forcefully, and your submission will be of assistance to us in considering the problems you have dealt with.

MR. DRAPER: We also wish to thank you, Mr. Chairman, for the kind and patient hearing which you have given us.

THE CHAIRMAN: The brief which has been submitted by the Trades and Labour Congress of Canada will be marked as Exhibit No.106.

EXHIBIT No.106: Brief submitted by the  
Trades and Labour Congress of  
Canada.

THE CHAIRMAN: We will now adjourn until Monday morning at 10.30.

(The Commission adjourned at  
4.30 p.m., until 10.30 a.m.  
Monday, January 24, 1938.)



ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[Canada]

Vol. 3, Pt. 2

REPORTERS:

George Thompson  
John Robertson  
David Torry





OTTAWA, ONTARIO, JANUARY 24, 1938

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## ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JANUARY 24, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Ottawa, Ontario, on Monday, January 24, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIRCOIS

JOHN W. DATOE, Esq.

DR. ROBERT ALEXANDER MacKAY

PROFESSOR HENRY FORBES ANGUS

)  
)  
)  
)  
)  
)

Commissioners

Commission Counsel:

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James McGregor Stewart, Esq. K.C.

Secretariat:

Alex. Skelton, Esq.

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FOR THE INVESTMENT BANKERS' ASSOCIATION:

Mr. Pringle

J. Fraser, Esq.

President  
Chairman, Committee in charge  
of Brief

Mr. Savard

Mr. Baldwin

Mr. Elliott

Mr. Cobban

Mr. Walker

Courtland Elliott, Esq.

R. O. Daly, Esq.

Mr. Baker

Toronto  
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Toronto  
Solicitor  
Winnipeg



FOR THE CANADIAN ELECTRICAL ASSOCIATION:

R. H. Mather, Esq.	President
B. C. Fairchild	Secretary
Colonel J. L. Ralston, K.C.	Counsel
George H. Montgomery, K.C.	Counsel

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Railway Committee Rooms,  
House of Commons,  
Parliament Buildings,  
Ottawa, Ontario,  
January 24, 1932.

#### MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: The first Brief on our list this morning is that of the Canadian Bankers' Association. I understand that Mr. S. G. Dobson, is speaking for the Canadian Bankers' Association.

MR. S. G. DOBSON, President of the Canadian Bankers' Association, was called.

#### SUBMISSION BY

##### THE CHARTERED BANKS OF CANADA

MR. S. G. DOBSON ( President of the Canadian Bankers' Association): Mr. Chairman and gentlemen, the Chartered banks, feeling that a clear and concise statement of the taxes levied by the various governing bodies on the banks in Canada might be useful to you in your deliberations, appointed a small committee to prepare this Brief. It is very short, and with your permission I shall read it.

#### TAXATION OF BANKS

"The Chartered banks of Canada appreciate the opportunity of presenting a brief to the Royal Commission on Dominion-Provincial Relations. They have noted with satisfaction that the terms of reference to the Commission include directions

'to investigate the character and amount of taxes collected from the people of Canada, to consider these in the light of legal and constitutional limitations, and of financial and economic conditions, and to determine



"whether taxation as at present allocated and imposed is as equitable and efficient as can be devised."

Recognizing the vital importance to the people generally of an equitable and efficient system of taxation, and with the thought that it might be of assistance to the Commission in carrying out these instructions, the banks have prepared a statement dealing with taxation as it applies to them and setting forth their views. At a later date it is possible they may desire to be heard in respect of certain other features of the enquiry.

The banks are fully alive to the difficulties with which the various taxing authorities are confronted in endeavouring to obtain revenue to meet their requirements, and it is with a desire to be helpful rather than to voice complaint that the matter is approached. There is no publication which sets out in detail the full extent of taxes to which the chartered banks of Canada are subjected by the various governing bodies of the Dominion. The banks pay taxes to the Dominion of Canada, to each of the several provinces and to the municipal corporations in which their branches are situated. In the appendix submitted herewith the various forms of taxes paid to the several governing bodies by the banks are detailed and the basis on which these taxes are levied are outlined. Briefly they are as follows:

#### DOMINION TAXES

To the Dominion Government the banks pay



"the ordinary corporate income tax and in addition a tax on the average amount of their bank notes in circulation."

Now, if you will turn to page 10, in the Appendix, we show there the taxes on banks imposed by Dominion, provincial and municipal bodies, in the form of corporation taxes:

#### DOMINION TAXES

"Two taxes are imposed by the Dominion Government.

1. A tax on profits, at the regular rate applicable to all corporations, present rate 15 per cent.
2. A tax of 1 per cent on the average amount of notes in circulation."

THE CHAIRMAN: Under the legislation, that latter tax will be a diminishing tax as your note circulation falls?

MR. DOBSON: Yes, there is a set of figures in the Brief, which shows that that is so. That Dominion tax, of course, is clear-cut, and there is not much cause for discussion of that. It is the provincial tax that concerns us mostly. I go back now to page 2 of the Brief:

#### PROVINCIAL TAXES

"The imposition of taxes on corporations by the provinces followed soon after Confederation, based on the authority conferred by section 92, head 2, of The British North America Act, to make laws relating to

'Direct taxation within the province in order to the raising of a revenue for provincial purposes.'

Early tax laws did not make any particular





"reference to corporations, but in the 1880's provinces commenced to institute special taxes on corporations doing business within the province. The practice soon became general and various methods of taxing corporations and banks have been adopted from time to time by the provinces and are incorporated in the Provincial Corporation Tax Acts. No one principle of corporate taxation is followed by all provinces, nor does the same principle of taxation apply to all classes of corporations within certain of the provinces themselves.

Provincial taxes on the banks are levied on four different bases--"

Then these are the alternative methods they adopt:

1. The branch representation in the province;"

THE CHAIRMAN: That is taxation on the number of branches in the province?

MR. DOBSON: Yes. Then 2:

2. The volume of business done in the province as represented by average loans, investments and deposits of the branches in the province;
3. The paid up capital only or on paid up capital, reserve fund and undivided profits;
4. A corporate registration fee."

THE CHAIRMAN: Referring to No. 3, a tax on "the paid up capital only or on paid up capital, reserve fund and undivided profits," some provinces tax banks on the total amount of their paid up capital, reserves and undivided profits, do they not?



MR. DOBSON: Yes, that is set out and fully explained in the Appendix. We will come to that in a minute.

THE CHAIRMAN: Very well.

MR. DOBSON: I continue with the next paragraph on page 2 of the Brief:

"It will be noted from the appendix hereto that the tax on branches in the province is used by all the provinces except Prince Edward Island and New Brunswick; the tax is on the volume of business alone in these two provinces. The tax on paid up capital is applied in four provinces; Nova Scotia, Quebec, Ontario, and Alberta. The tax on reserve fund and undivided profits in addition to paid up capital applies in Nova Scotia and Ontario. There is also in Nova Scotia the corporate registration fee and the volume of business tax."

We will turn now to page 10, where we enumerate these taxes of the various provinces, as follows:

#### PROVINCIAL TAXES

Prince Edward Island

Taxes Imposed by Provincial Government

Tax on Volume of Business in Province

1/9 of 1 per cent on the average aggregate of loans, investments and deposits. The average is obtained by taking figures at the end of each month for twelve months and dividing by twelve."

COMMISSIONER ANGUS: That is a tax on loans, investments and deposits within the province?

MR. DOBSON: Within the province, yes. We have also enumerated the changes that have taken place in



the tax within the past ten years, showing that the trend has been entirely in one direction;

Changes within the past ten years

1926 1/10 of 1% on volume of business \$2,500,000

or under

1/13 of 1% on volume of business over

\$2,500,000

1933 1/8 of 1% on volume of business \$2,500,000  
or under

1/10 of 1% on volume of business over

\$2,500,000

1936 1/9 of 1% applied to total volume of business."

That is the tax which applies now in Prince Edward Island.

THE CHAIRMAN: I suppose this tendency has been pretty general in all taxing bodies?

MR. DOBSON: I am sorry to say that that is so, and we are well aware of it. Then we come to the taxes imposed by the Province of Nova Scotia. They have not skipped very much in the province of Nova Scotia.

THE CHAIRMAN: You would not expect Scotch people to do so.

MR. DOBSON: Page 11 of the Appendix shows the taxes imposed by Nova Scotia:

#### NOVA SCOTIA

##### Taxes Imposed by Provincial Government.

##### 1. Annual Registration Fee

The registration fee is \$200 plus 10 cents for every \$1,000 of nominal capital, with power to the Governor in Council to grant reductions."

So far the Governor in Council has not granted any reduction. Then 2:





" Tax on Capital, Reserves and Undivided  
Profits

"2. 1/10 of 1 per cent on proportion of paid up capital employed in the province. Paid up capital is defined to include the total amount of the paid up capital and the surplus and reserve funds and includes the undivided and undistributed profits. The province has fixed the amount on the above presumed to be employed in the province as 1/15 of the whole;"

I think that is the only case where a province sets any portion of the capital as applying to that particular province. The others take a percentage of the whole.

THE CHAIRMAN: They do not take the actual figures, but one-fifteenth of the whole?

MR. DOBSON: As being the capital employed in the province of Nova Scotia, yes, and there is some reason in that. Then 3:

Tax on Branches

Chief Branch in Province	\$7,500
Other Branches in Halifax	150 each
Next 10 branches elsewhere in Province	600 "
Next 10 branches elsewhere in Province	300 "
All other branches elsewhere in Province	150 "

Tax on Average Monthly Volume of Business  
in the Province.

Volume of business is average aggregate of loans, investments and deposits.

1/20 of 1% on amounts up to \$15,000,000

1/60 of 1% on amounts over 15,000,000"



Then the changes within the past ten years are given. I do not know that there is any particular interest in giving those figures. In 1926 the tax on the Main Office in the province was \$4,000, and it is now \$75,000. Various changes have been made from time to time; in 1926, in 1932, and in 1934, bringing the taxation up to the present scale. I do not think there is any particular object in reviewing those increases.

THE CHAIRMAN: No.

MR. DOBSON: Then on page 12 of the Appendix we give the taxes imposed by the Province of New Brunswick:

#### NEW BRUNSWICK

##### Taxes Imposed by Provincial Government

1. Tax on Average Monthly Volume of Business in the Province.

On average monthly loans, investments and deposits, 1/15 of 1 per cent."

Prince Edward Island adopts that same method. Then the changes that have taken place in the tax within the past ten years are given on that same page, showing that in 1932 the tax was just doubled; it was increased from one thirtieth to one fifteenth. That is the only change. Then we come to Quebec, on page 13 of the Appendix:

#### QUEBEC

##### Taxes Imposed by Provincial Government

1. Tax on Paid Up Capital

1/10 of 1 per cent on entire paid up capital.

2. Tax on Branches

Principal branch in Montreal	\$200
Principal branch in Quebec	200
Other branches in Montreal and Quebec	150 each
All other branches in Province	30 "



Then there is a Surtax,, which was imposed a few years ago, of 45 per cent:

"3. Surtax

A surtax of 45 per cent is imposed on the total amount of taxes collected under Nos. 1 and 2."

They just made that arbitrary surcharge in 1935.

THE CHAIRMAN: Do you somewhere in this Brief show the aggregate amount of taxes paid by each bank in the different provinces?

MR. DOBSON: Not by each branch in the various provinces, but I have figures to show the taxes paid by all the banks in all the provinces, but not figures for the individual banks.

COMMISSIONER AUGUS: As between one bank and another, do you consider the taxation as fair, or do you consider it much fairer to one member of the family than another?

MR. DOBSON: Of course, we make the statement in the Brief that we consider a tax on the basis of capital is not an equitable tax. For instance, you might have a small number of branches. We draw up a case here in the Brief, and we are speaking particularly of Alberta, where a bank has a small number of branches, but has a fair sized capital. Now if you tax on the basis of capital you are loading down those branches with a load they cannot carry. That method of taxation is not equitable. We think, after considering all the various phases of taxation, that perhaps a tax on the volume of business is the most logical and equitable. I do not know if there is anything better than that. A tax on branches is not quite as fair. You take some of the western provinces, for instance, some of the western provinces where the great majority of the branches are not





making anything at all; and if you tax on the basis of branches alone, there is just one thing to do, and that is to close them up.

COMMISSIONER ANGUS: If capital is used as a basis, is it fairer that it should include surplus and undivided profits, or that it should not?

MR. DOBSON: If capital must be used as a basis, then the whole must be considered as the more reasonable thing. That is on the same basis as Nova Scotia does--allocate a certain portion to each province.

Now I come to the taxes imposed by Ontario:

#### ONTARIO

##### Taxes Imposed by Provincial Government

##### 1. Tax on Capital

1/5 of 1 per cent on entire paid up capital.

##### 2. Tax on Reserves

1/10 of 1 per cent on total reserves and undivided profits.

##### 3. Tax on Branches

Chief Branch in Province      \$ 3,000

All other branches in Province      200 each"

The next paragraph sets out the changes that have taken place.

Then we come to the taxes imposed by Manitoba.

#### MANITOBA

##### Taxes Imposed by Provincial Government

##### Tax on Branches

##### Chief office in Province:

if Superintendent's      \$5,000

if not      3,000

Other branches in Winnipeg      750 each

Other branches in Province      400 "



You will notice that there has been a tremendous difference in the basis on which they tax these branches. In 1932 a change was made bringing the rates up to the present amount, as follows:

Changes within the past ten years.

1932 The rates were changed to the present scale from:

Chief office in Province	\$2,400
Other branches in Winnipeg	100 each
Next four branches in province	300 "
Next ten branches in province	200 "
Other branches in province	100 "

Now we come to Saskatchewan:

SASKATCHEWAN

Taxes Imposed by Provincial Government

Tax on Branches

Chief office in Province:

if less than 10 branches in province \$1,500

if 10 or more branches in province 3,000

Chief office in other cities 400 e

Other branches in cities 250 "

Branches in towns 250 "

Other branches in Province 200 "

There have been changes since 1932, when the rates were increased to the present scale.

Now we come to Alberta:

ALBERTA

Taxes Imposed by Provincial Government

1. Tax on Branches

Chief branch in Province:

A. if less than 15 branches in province \$2,000

if more than 15 and less than 30 3,000

if more than 30 4,000



- "B. Branches in Calgary, Edmonton, Lethbridge, Medicine Hat and Red Deer if not taxed under A      \$ 500 each
- C. On branches in Province not taxed under A or B      200 each"

2. Tax on Capital

1/10 of 1% on entire paid up capital.

A new Bill was introduced and passed at a Third Session by the Legislative Assembly in 1937 imposing a further additional tax of  $\frac{1}{10}$  of 1 per cent on entire paid up capital and 1 per cent on entire reserve fund and undivided profits. This Bill has not yet received Royal Assent and has been referred to the Supreme Court of Canada to determine the constitutional power of the Legislature to pass such legislation. The amount which would be collected under this new levy would be about \$2,082,000, a sum greater than all the provincial taxes paid to all provinces."

THE CHAIRMAN: Assuming that a similar tax were imposed in all the provinces, what would the aggregate amount to?

MR. DOBSON: Roughly \$2,000,000 to a province, and with nine provinces that would be about \$18,000,000.

THE CHAIRMAN: Oh yes, it is on the capital, of course.

MR. DOBSON: It is on the capital.

THE CHAIRMAN: And it must be the same in every province.

MR. DOBSON: It is a nice sum of money. That tax in Alberta of one half of one per cent was imposed by the legislation of 1937. It was on the entire paid up capital, and there was one per cent imposed on the entire





reserve fund and undivided profits. As we say in the Brief this tax of 1/10 of 1% on the entire paid up capital which was imposed in 1937 represented an amount, in additional taxes, of \$140,000. The total tax paid by the banks prior to that was \$97,000.00. In other words the tax was jumped from \$97,000. to \$237,000.00.

Now coming to British Columbia:

#### BRITISH COLUMBIA

##### Taxes Imposed by Provincial Government

##### 1. Tax on Branches

Chief branch in Province:

if 25 or more branches in the province	\$10,000
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if less than 25 branches in the province	4,000
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All other branches in province	500 ea
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##### 2. Tax on income derived from bonds

bought and sold in Province, at current rate, minimum  $\frac{1}{8}$  of 1 per cent."

That is different from any other province. That is a tax on the volume of bond business that you do.

COMMISSIONER AFGUS: Does that apply to dealers in bonds other than the banks?

MR. DOBSON: I do not know that I have that information. They are taxed, of course, but whether it is on that particular basis I could not say. We will look that up and come back to it.

Now I go back to page 2 of the Brief. We have covered provincial taxes, and now we come to municipal taxes:

#### MUNICIPAL TAXES

"The banks are subject to municipal taxes in those municipalities where they conduct branches or own property. These taxes, gen-



Generally speaking, are levied under the general taxing authorities granted by the provincial legislatures to the municipalities but in some of the provinces special taxing powers have been granted by the legislatures to certain of the municipalities in respect of bank taxation. Generally speaking, banks are subject in the municipalities to one or more of the following:

1. Property tax;
2. Personal property tax;
3. Business tax based on a percentage of the assessed value of the property occupied or on the rental value thereof;
4. Income tax;
5. Tax on the volume of business conducted by the branches in the municipality;
6. Certain special taxes authorized by special acts of the legislature."

THE CHAIRMAN: Are the first five general as applying to municipalities, and is six the only exceptional one, or are there variations?

MR. DOBSON: You will find that that is all set out fairly completely in the Appendix, which shows the different methods that are applied. I will read the next paragraph on page 3:

"It will be noted that there is no uniformity as to the taxing authority granted to the municipalities by the provinces generally and that the basis of bank taxation by municipal corporations is not uniform for all municipalities in certain of the provinces."

If we turn again to page 10, you will find there



the municipal taxes set out according to provinces.  
In Prince Edward Island, for instance:

PRINCE EDWARD ISLAND

Municipal taxes

"Licence fee which varies in different municipalities, plus in some cases a tax on personal property."

That tax is of varying amounts. Then Nova Scotia.

Nova Scotia

Municipal Taxes

"Taxes on real and personal property including an assessment of \$100 of personal property for every \$20 of profit at the branches in the municipality."

Then New Brunswick:

NEW BRUNSWICK

Municipal Taxes

"Municipalities impose taxation on banks on personal property and income under the general provincial Act but several cities and towns have separate Acts which give them special taxing powers on banks.

Saint John, Moncton, St. Stephen and Fredericton under their special Acts assess the banks an annual tax of  $\frac{1}{2}$  of 1 per cent on the average loans and deposits of the branch banks in the municipality; Woodstock, under similar authority, levies at the rate of 1 per cent on  $\frac{1}{15}$  of the average monthly loans and deposits."

There is no uniformity about it.

THE CHAIRMAN: Where you have special taxation on all banks in the municipality, is that taken into con-





sideration by the banks in fixing the interest rate for loans in that municipality?

MR. DOBSON: No, the rate for loans is pretty general; there is no variation according to the taxes.

THE CHAIRMAN: You do not base it at all on the taxation?

MR. DOBSON: No, there is no attempt made to do that.

Then we come to Quebec:

#### QUEBEC

##### Municipal Taxes

"The Cities and Towns Act provides for taxation by municipalities. This Act permits taxation of banks by means of a licence fee plus up to 8 per cent on rental value of premises occupied. Many cities and towns have special Acts under which licence fees and rental value rates are increased and surtaxes or special taxes added. Montreal, Quebec, Verdun, Sherbrooke, Granby, St. Lambert and other cities and towns have special Acts. In Montreal the rate on rental value is  $8\frac{1}{2}$  per cent plus \$600 for main offices and \$100 each for subsidiary offices. In Quebec the rental value rate is 15 per cent with no licence fee. In Sherbrooke, the licence is \$500 for main offices and \$250 each for subsidiary branches."

THE CHAIRMAN: Are other financial institutions similarly taxed by these municipalities?

MR. DOBSON: They are all on a different basis, as far as we can find out, and so it is very difficult to make a comparison. In some cases they are, and in some cases they are not; it is a most complicated thing to try



to make a comparison. We have not tried to do it in the case of municipalities, but we did try to make a comparison of what our taxes by the provinces would be if we were taxed on a similar basis to corporations. The comparison was made for the year 1935, and the amount was \$425,000. In other words, we figured that we were charged as banks, \$425,000 more than other corporations were charged. But we have not been able to make any comparison with respect to municipal taxation. I suppose we could do it, but it would involve very considerable work.

THE CHAIRMAN: On the question of whether the taxation is as equitable as can be devised or imposed, I do not know whether you suggest that banks are taxed higher than other financial institutions which might be more or less similarly situated, if there are any.

MR. DOBSON: Of course, that is our theme, but to follow it through to the respective municipalities would be quite an undertaking, because they vary so. Banks are apparently taxed on a certain basis, and other corporations are taxed on some other basis. We might make a study of that, Mr. Chairman,

THE CHAIRMAN: My only point is this: If you are suggesting that the taxation of banks is inequitable having regard to the taxation imposed on other financial institutions, it would be helpful in considering that matter if we had the facts.

MR. DOBSON: We will make a study of that and see if it is possible to obtain the information.

Next is Ontario:

#### ONTARIO

#### Municipal Taxes

"Business taxes are paid at the local rate



"on a sum equal to a stated percentage of the assessed value of the property occupied for the purpose of the business. Banks are assessed at 75 per cent of assessed value of property and wholesale merchants, loan and trust companies, express companies, etc., share this rate."

That is one case where there is a similarity in the taxing rate. The balance is hardly worth reading. It gives a comparison of other taxes on other types of corporations.

Now we come to Manitoba:

#### MANITOBA

##### Municipal Taxes

"The Assessment Act provides that a municipality may by by-law instead of making an assessment of personal property make a business assessment and that a municipality to which this applies shall impose a business tax on all financial and commercial institutions, including banks, loan companies and insurance companies and all persons whose business consists of dealing in money. This business tax shall not exceed 15 per cent of rental value of the property occupied."

Next is Saskatchewan:

#### SASKATCHEWAN

##### Municipal Taxes

"The business tax is on the basis of floor space. That is, the assessment is at a certain rate per square foot for the space occupied and the maximum rate which can be assessed to banks is \$15 per square foot.





"The local rate is applied to this assessment to determine the tax."

Next is Alberta:

#### ALBERTA

##### Municipal Taxes

"The business assessment is either on the basis of rental value or a stated rate per square foot of space occupied. The Act stipulates that the assessment per square foot shall not exceed \$10 in the case of banks, financial institutions, railway and express companies, lawyers, doctors and dentists, and not more than \$5 for other trades or professions. In the City of Edmonton the banks are assessed on rental value and the tax is 25 per cent thereof."

Other business taxes in the province of Alberta are listed at the bottom of page 16.

Then British Columbia:

#### BRITISH COLUMBIA

##### Municipal Taxes

"The business tax is mostly by licence fee and the rates vary in municipalities and between different types of business. The licence fee for banks ranges from \$100 to \$1,500. In Vancouver the main office pays \$1,500 and subsidiary branches pay \$500 each."

These, Mr. Chairman, we have listed in order to show the numerous types of taxation which are adopted by the various municipalities.

Now I turn back to page 3 of the Brief:

"In Table I on the following page are shown all taxes paid by the banks to the Dominion,



"the provinces and the municipalities over the years 1926 to 1937, both inclusive, the total for 1937 being, in round figures, \$8,521,000 as compared with \$6,244,000 in 1926; this represents an increase of 36 per cent. While an increase is shown under each of the headings, the larger amounts are under Dominion income tax, provincial taxes and municipal business taxes. It will be observed that while the number of branches and sub-agencies was reduced after 1930 by 740, or 18 per cent, provincial taxes have been increased by \$485,524, or 39 per cent."

Table I is shown on the next page:



Table No. 1

## ALL TAXES ON BANKS

Canadian Branches and Sub-Agencies at year end	Year	Dominion Income Tax	Circulation Tax	Provincial Tax
1,782	1926	\$ 647,000	\$1,177,000	\$1,108,000
1,870	1927	671,000	1,175,000	1,040,000
1,960	1928	719,000	1,224,000	1,070,000
2,069	1929	1,012,000	1,242,000	1,143,000
2,083	1930	1,036,000	1,408,000	1,231,000
2,970	1931	1,153,000	1,429,000	1,278,000
2,772	1932	1,287,000	1,390,000	1,643,000
2,635	1933	895,000	1,317,000	1,585,000
2,527	1934	912,000	1,348,000	1,549,000
2,431	1935	1,401,000	1,326,000	1,619,000
2,398	1936	1,211,482	1,253,481	1,592,038
2,343X	1937	1,318,853#	1,154,544	1,716,524

X Estimated.

# Dominion Income Tax for the year 1937 has not yet been paid and the amount shown is a careful estimation of the taxes which will be payable. Reserves have been set up from profits to provide for payment. All other taxes have been paid.

Table No. 1 (Con.)

Municipal Business Taxes	Property Taxes	TOTAL	Year
The figures	\$2,312,000	\$5,244,000	1926
for Municipal	3,239,000	6,125,000	1927
Business Taxes	3,452,000	6,465,000	1928
1926-32	3,690,000	7,087,000	1929
not obtained and	3,821,000	7,496,000	1930
amount is included	3,923,000	7,788,000	1931
in property taxes	4,046,000	8,368,000	1932
\$1,107,000	3,137,000	8,091,000	1933
1,093,000	3,144,000	8,046,000	1934
1,137,000	3,101,000	8,584,000	1935
1,157,536	3,140,431	8,369,968	1936
1,172,315	3,159,012	8,521,248	1937





That Table shows that the Dominion Income Tax increased from \$647,000 in 1926 to \$1,318,000 in 1937. The Dominion rate was put up in 1924 to the present 15 per cent, and that accounts for quite a portion of this increase. The Circulation tax, as you will observe, Mr. Chairman, is gradually decreasing, being \$1,429,000 in 1931, and being now, in 1937, \$1,154,000. It is gradually coming down.

THE CHAIRMAN: I have forgotten for the moment just whether the Circulation tax decreases ten per cent or five per cent per year.

MR. DOBSON: Five per cent for five years, and then ten per cent for five years, until it is brought down to 25 per cent of the total.

THE CHAIRMAN: The first five years after the Bank Act came into force five per cent, the next five years ten percent, and then it remains at 25 per cent?

MR. DOBSON: Yes, by Section 61 of the Bank Act.

THE CHAIRMAN: Thank you.

MR. DOBSON: Provincial taxes have increased in that period from \$1,108,000 in 1926 to \$1,716,000 in 1937. But take the year 1936, when provincial taxes amounted to \$1,597,000, because 1937 includes that extraordinary increase that Alberta put on, of \$140,000. We will leave that out of our calculations for the moment, and then it will be seen that the provincial taxes from 1926 to 1936 increased roughly \$500,000, during a time of decreased business and lower profits.

The Table shows the municipal business taxes only from 1933 onwards. There is not a great deal of change there. Then there are the Property taxes, because we have to pay those anyway. Altogether we have a grand total of taxes paid by the banks in 1936 of \$8,369,000



as compared with \$6,244,000 in 1926.

THE CHAIRMAN: There is an increase of about two and a quarter million dollars, or about thirty-three and one-third per cent.

MR. DOBSON: Yes.

I continue now on page five of the Brief:

"In Table 2 the total of taxes paid by the banks is compared with the aggregate profits of the banks for the years 1930 to 1937.

While the profits of 1937 were some \$6,005,000 below those of 1930, or 24 per cent less, the total taxes paid by the banks were \$1,025,000 higher, or 13 per cent greater. It will be noted that total taxes were 32.5 per cent of profits in 1930, advanced to 50.5 per cent in 1935, and were reduced to 47.3 per cent of profits in 1937. Taxes other than on real estate paid by the banks, which are available only for the years 1933 to 1937, were 30 per cent of profits in 1933, advanced to 32.3 per cent in 1935, and declined to 29.7 per cent in 1937. The decline in the last year is explained by a reduced amount of income and circulation taxes paid by the banks to the Dominion Government."

Then comes Table No. 2, showing the percentage of taxes to profits, from 1930 to 1937.

THE CHAIRMAN: You take the years from 1930 to 1937. What would the figures show from say, 1925 to 1930?

MR. DOBSON: I am afraid we have no information on that at all. Would the Commission like to have it worked out?

THE CHAIRMAN: I do not know that it is important



except that the years in Table No. 2 cover the years of the depression.

MR. DOBSON: That is right.

THE CHAIRMAN: And I was wondering what the five years of prosperity would show. It would possibly show an increase for those five years?

MR. DOBSON: Yes, I suppose it would perhaps show the reverse to some extent. That is, profits were going up until 1929 or 1930, and while taxes were going up too, probably the percentage would not show quite as much.

THE CHAIRMAN: The percentage would not be so high as that shown in Table No. 2?

MR. DOBSON: I am just assuming that, but I think that would probably be a fair statement.

Now I will give Table No. 2:





Table No. 2

## PERCENTAGE OF TAXES TO PROFITS

Profits	Total Taxes paid	% of Profits	Taxes other than Real Estate	% of Profits
\$24,061,906	\$7,496,000	32.5		
20,720,786	7,788,000	37.6		
18,776,094	8,368,000	44.6		
16,355,035	8,093,714	49.6	\$4,905,854	30.0
17,043,231	8,048,807	47.2	4,904,119	28.8
16,991,890	8,585,943	50.5	5,484,390	32.3
17,822,238	8,369,968	47.0	5,229,537	29.3
18,025,950X	8,521,248	47.3	5,362,256	29.7

The Annual Statements of two of the banks, The Bank of Nova Scotia and The Dominion Bank, were not available when this Table was compiled, and the profit figures for the year 1936 have been used in the case of these two banks.

For the above table profits shown are the published profits plus Dominion and provincial taxes and less deductions for Bank Premises and officers' Pension Funds.

In case there may be an impression that bank profits and dividends are unduly high, we give Table 3, on page 6, showing the capital, reserve fund and undivided profits of the various banks at the close of their 1936 fiscal years and the dividends paid during that period. It will be noted that the average for all the banks is only 4.33% of the total of the shareholders' investment. These dividends of course are subject in the hands of the shareholders to Dominion of Canada income tax, in certain provinces to provincial income tax as well and also in certain cases to municipal income tax.

The next table, Table No. 3, speaks for itself. It shows the return to the shareholder on the basis of capital, reserve, and undivided profits.

Table No. 3 follows:



Table No. 3  
PERCENTAGE OF DIVIDENDS OF THE CHARTERED BANKS  
FOR 1936 TO CAPITAL, RESERVE, AND UNDIVIDED PROFITS

Bank	Capital	Reserve	Undivided Profits
Bank of Montreal	\$36,000,000	\$39,000,000	\$1,036,534
Bank of Nova Scotia	12,000,000	24,000,000	803,316
Bank of Toronto	6,000,000	9,000,000	1,285,375
Provincial Bank of Canada	4,000,000	1,000,000	231,937
Canadian Bank of Commerce	30,000,000	20,000,000	715,515
Royal Bank of Canada	35,000,000	20,000,000	1,913,796
Dominion Bank	7,000,000	7,000,000	668,977
Banque Canadienne Nationale	7,000,000	5,000,000	230,796
Imperial Bank of Canada	7,000,000	8,000,000	620,055
	<u>\$144,000,000</u>	<u>\$133,000,000</u>	<u>\$7,506,301</u>

Table No. 3 (Con.)

Bank	Total	Dividends	%
Bank of Montreal	\$76,036,534	\$2,880,000	3.79
Bank of Nova Scotia	56,803,316	1,440,000	3.91
Bank of Toronto	16,285,375	600,000	3.68
Provincial Bank of Canada	5,231,937	240,000	4.59
Canadian Bank of Commerce	50,715,515	2,400,000	4.73
Royal Bank of Canada	56,913,796	2,800,000	4.92
Dominion Bank	14,668,977	700,000	4.77
Banque Canadienne Nationale	12,230,796	560,000	4.58
Imperial Bank of Canada	15,620,055	700,000	4.48
	<u>\$284,506,301</u>	<u>\$12,320,000</u>	<u>4.33</u>



Now I continue at the top of page 7 of the Brief:

"The situation in respect of bank taxation in this country differs from that in Great Britain and in the United States. In England the banks are subject to no special taxes to the central government but pay only the income tax which applies to all corporations. To municipalities they pay only real property taxes. In Scotland the banks pay a tax of  $5/12$  of 1 per cent per annum on notes in circulation and a licence of £30 per annum for each office opened after 1845. In Northern Ireland the banks pay a tax of  $7/20$  of 1 per cent per annum on notes in circulation plus a licence fee of £30 per annum per office, but four licences cover any number of offices."

THE CHAIRMAN: That is to encourage the opening of branches, I suppose, Mr. Dobson.

MR. DOBSON: Yes. I go on with the next paragraph:

"In the United States the national banks" pay income taxes to the federal government and certain taxes to the States which are levied under specific authority granted by the Congress of the United States to the States of the Union. Attached to the appendix is a copy of section 5219 of the Revised Statutes of the United States which sets out the taxing power granted to the States by the Congress, from which it will be noted that only certain classes of taxes are authorized to be levied and these at rates no higher than those levied against other financial corporations."





The point there is that the federal government controls the amount which the States can tax financial institutions.

"In Great Britain, generally speaking, banks are taxed only as corporations, and in the United States national banks are only taxable by the States in the manner authorized by the Federal government and at rates not higher than those applied to other financial corporations; there are no restrictions in Canada in respect of provincial taxation of banks such as exist in the United States in respect of State taxation of national banks."

THE CHAIRMAN: My impression is that the difference between the United States and Canada in respect of banks established under federal authority lies in the provisions of the United States Constitution as interpreted by the Supreme Court, that a federal bank is a governmental instrumentality which can only be taxed by a State with the permission of the federal government.

MR. DOBSON: Yes, a national bank.

THE CHAIRMAN: I think they have held that the power to tax is the power to destroy, and therefore a State cannot tax a federal instrumentality without the consent of the federal authority. I have never heard that as applied to banks. I am putting it interrogatively.

MR. DOBSON: That would be the result, whether that is the reason for it or not. I continue at the bottom of page 7:



"It is not the purpose of this presentation to criticize the actions of the various provincial legislatures in levying bank taxation. It is recognized by the chartered banks that the need for revenue has been great and the banks have been and are prepared to meet all reasonable levies on them by the provinces provided they are not out of line with taxes paid to the provinces by other corporations, and provided they are not so onerous that they must be passed on to their customers. There have, however, been two instances in recent years where new tax measures have been passed by provincial legislators, although not yet operative, in which inequitable principles have been incorporated. One of these authorizes a tax on the amount by which deposits in the banks in the province exceed loans made by the banks in the province. It is respectfully submitted that such tax would be contrary to the principle that the banks are chartered to serve the country as a whole.

In the other case taxes at extremely heavy rates on banking institutions alone have been authorized by the Legislative Assembly but the Bill has not yet received Royal Assent and is at present before the Supreme Court of Canada for the determination of its constitutionality.

In this latter case provision is made for a tax of  $\frac{1}{2}$  of 1% on the entire paid up capital plus 1% on the entire reserve funds and undivided profits of the banks doing business in the province, this tax to be in addition to all taxes presently levied. The amount of this additional tax would be in excess of \$2,000,000. The tax on branches of \$73,564 paid



"by the banks in 1937 to the province had already been augmented by another \$140,000 (1/10 of 1% on the paid up capital) (1937 (1st Sess. c.57), almost tripling the tax, and this new tax with the proposed additional one would be \$2,220,000 higher than the 1937 tax on branches, an increase of over 3000%. The proposed additional tax alone is substantially greater than the aggregate of all taxes imposed on the banks by all provinces. In view of the provision in The Bank Act limiting the rate of interest to be charged by banks, branch banks in the province cannot hope to earn anything like this amount. Indeed any attempt to pass the tax on to customers in that province by higher lending rates or by ceasing to pay interest on deposits would be countered by the transfer of the large deposits and borrowing accounts to other provinces where normal rates prevail. The tax would therefore have to be paid out of revenue derived from banking elsewhere in Canada and abroad. If this legislation is sustained the banks obviously might find it impossible to operate in that province.

Apart entirely from legal considerations a tax on paid up capital, reserve fund and undivided profits is inequitable because it bears no relation to the number of branches a bank may have in the province or the volume of business which it transacts there. Take for instance the two suppositious cases below:

Bank	Paid up Capital	Reserve Fund	Undivided Profits	Tax of 1/10 of 1% thereon
k A	\$20,000,000	\$25,000,000	\$1,000,000	\$46,000
k B	10,000,000	12,000,000	500,000	22,500

The total taxes on this basis paid by these banks





"would not vary and could not be reduced by closing some of the branches in the province.

Bank	Branches in Province	Tax per Branch
Bank A	2	\$25,000
Bank B	10	2,250

The result is that Bank A has to earn ten times as much from each of its branches as Bank B, and if it cannot do so, Bank A must close its branches and leave the province.

Without in any way desiring to minimize their responsibility as taxpayers, the chartered banks respectfully submit that there is no equitable ground for special levies against them as such. They are in effect Dominion corporations authorized by the Government of Canada to do a special type of business throughout the Dominion, as are other Dominion incorporated companies. They provide a necessary service to the community and it is their aim to do so efficiently and in accordance with their responsibilities, at rates as low as are consistent with the risks of the business and sufficient to provide a moderate return on the capital employed. For this reason it is the considered view of the banks that the British principle should apply in respect of bank taxation and that the banks should be taxed only as ordinary corporations, also that the many different forms of municipal taxes to which the banks are subject in the various provinces should be simplified and made uniform with those paid by other corporations to the municipalities."

THE CHAIRMAN: Mr. Dobson, as I understand it, you raise no objection on the part of the banks paying the same kind and amount of municipal taxation as any other corporation



carrying on business in the municipality.

MR. DOBSON: No, that seems only reasonable.

THE CHAIRMAN: Your objection is that the banks are singled out for special taxation in certain municipalities? Is that it?

MR. DOBSON: It is an interesting thing. We make some reference to the United States and Great Britain. Australia has also been mentioned in various Briefs before you, and we thought it wise to cable and get a statement of just what goes on there. I am referring to this particularly in connection with municipal taxes. I will read this cable from the Bank of New South Wales, which puts very tersely just what the situation is there:

"Banks are taxed by Commonwealth---"

That is the Commonwealth of Australia:

"on net income earned in Australia plus any net income earned outside Australia which is not taxed where earned."

The same principle applies with us:

"The states all tax on income basis."

They have one uniform method, though the rate is not uniform:

"There are no other imposts excepting land taxes which are common to all tax payers."

Apparently they have no municipal tax on the banks where the branches are located. The cable continues:

"Commonwealth does not exercise any control over state taxation."

For some reason or other the taxation is on a uniform basis, though the rates are different.

The Commonwealth charges 5 per cent on profits; our rate in Canada is 15 per cent, but I should add that that 15 per cent rate of ours is not on our published profits. There are certain deductions for profits earned outside which





are taxable, so that the total does not work out exactly to 15 per cent. The rates of taxation by the Commonwealth and by the states are as follows:

Commonwealth	1/- in the £	-	5%
New South Wales	2/3 in the £	-	11 $\frac{1}{3}$ %
Victoria	1/10.575 in the £	-	9.40%
Queensland	4/- per £1 plus 20%	-	24%
South Australia	2/- per £1	-	10%
Western Australia	1/3 per £1 - plus 15%	-	7.20%
Tasmania	1/6 per £1	-	7 $\frac{1}{2}$ %

These are interesting to show what variation there is. We tried to figure out what that might mean on the average. We took a large bank distributing its profits in various states, and allocated a percentage of the profits according to the number of branches they had in their respective states, and then we calculated that this particular bank paid a total tax which worked out to about 17 per cent on their profits.

I continue at page 7 of the Brief:

"In their consideration of the whole matter of Dominion and provincial relations the Royal Commission may deem it advisable to recommend certain divisions of responsibilities of government and sources of revenue between the provinces and the Dominion. In such an event the banks will not be averse to having bank taxation centralized in the hands of the Dominion government, from which they derive their right to do business. Whether the Dominion government would apportion such taxes among the provinces on some mutually satisfactory basis, or retain the whole in exchange for some other kind of taxation to be transferred to the provinces, would depend, of course, upon the terms of any arrangement entered into between the Dominion and provincial governments by way of implementing the recommendations of your Commission."

Then on page 18 we give a citation from the United States act. There is not much use in my reading it;





I think it is the most complicated I ever read. In substance it provides for four different types of taxation from which a State may select in taxing national banks, and paragraph (c) precludes them from taxing banks a higher rate than they tax other financial corporations. Paragraph (c) says in part:

"but the rate shall not be higher than the rate assessed upon other financial corporations nor higher than the highest of the rates assessed by the taxing state upon mercantile, manufacturing, and business corporations doing business within its limits."

I have given the substance of the meaning of the act, but as I say, I could not undertake to interpret it.

COMMISSIONER MACKAY: It is a provision that applies only to national banks?

MR. DOBSON: Yes. The national banks are taxed by the federal government, and then they also are permitted to be taxed by the States, similar to the situation in Canada except that in the United States they set a limit beyond which the State may not go.

COMMISSIONER MACKAY: But apparently there is no limit on the amount of taxation which the State may levy on a State bank?

MR. DOBSON: Not that I know of.

Answering a question by Mr. Commissioner Angus earlier this morning, I may say that in British Columbia other corporations pay on profits realized from bond trading through the provincial income tax. Banks do not pay income tax generally to the province in view of the income tax on branches, but they do pay income tax on that part of their income which is derived from bond



trading.

COMMISSIONER ANGUS: That is equivalent to the type of tax imposed on other competing business?

MR. DOBSON: Yes, that is what it is.

I have here a statement which may be interesting as a reference. It is a summary of what the general taxation in Canada as applied to banks. It was referred to by the Jacoby Taxation Commission, in their report to Saskatchewan in 1936. In their report they referred to a statement which had been made by the Assessment and Taxation Commission in Manitoba some years prior to that. They say, and this still applies:

"The rates levied on the different classes of corporations seem to be a purely experimental or rule of thumb character. They can scarcely be said as a whole to accept the working out of any fundamental principles of taxation. The rates on banks, e.g., do not seem to bear any relation either to ability to pay or benefit received."

That report of the Taxation Commission--

THE CHAIRMAN: That is the Jacoby report?

MR. DOBSON: Yes, that report is merely repeating an observation that was made in the Manitoba report some time prior to that.

I think, Mr. Chairman, that completes our Brief.

THE CHAIRMAN: Mr. Dobson, you say on pages seven and eight that there were two taxes recently imposed by provincial authority which you considered inequitable. Are we to assume from that, that you agree that the rest of the taxes imposed are equitable?





MR. DOBSON: I do not know anything in connection with the legal or constitutional phases of it.

THE CHAIRMAN: I am speaking simply of taxation of banks as such. I am not speaking legally or constitutionally.

MR. DOBSON: I think perhaps the answer is this: We agree we must pay taxes. There is no question about that. It is a question of trying to get down to some uniform basis. We naturally would like to see our taxes lower, but we realize that it is a very difficult thing. What we would like to see, for instance, is the provincial tax centralized in one body, so that every once in a while we would not all of a sudden, a day or two before the legislature adjourned be told that the bank taxes are put up. That is what sometimes happens. Sometimes we get an opportunity to appear and sometimes we do not. The first thing we know taxes are put up, and then one province finds their rate is perhaps lower than other rates. They are looking for money and they say: "Why not bring our rate up to conform with such and such a province." It develops into more or less of a merry-go-round.

THE CHAIRMAN: The advances encourage another province to do the same.

MR. DOBSON: Yes.

THE CHAIRMAN: You cited to us a passage from the Jacoby Report, which was a citation from the Manitoba report, in which it is stated there is no principle underlying the basis of bank taxation as at present imposed. I was wondering if you were in a position to suggest to us any principle which you say should apply to taxation.

MR. DOBSON: We have thought of that, and the various types of taxation. I think perhaps that volume of business





is the most logical one. A tax on branches is not perhaps reasonable, because branches in certain sections are losing money, not doing well; while others are profitable branches. It is not an equitable distribution. A tax on capital is not equitable for the very same reason. They are not making money in certain provinces, doing a small volume of business. The tax is high because capital might be high. There is some reason or justification for basing a tax on the volume of business. I would think that is the answer. I do not know of anything better than that myself.

COMMISSIONER ANGUS: If you were taxed on the volume of business in each province, you would, I suppose, expect each province to have its own rate of taxation on that volume corresponding to the taxation of other businesses.

MR. DOBSON: I think that we might hope for something better than that, something, perhaps along this line. The table on page 4 sets out the provincial tax. They have gone up from \$1,100,000 to \$1,600,000 from 1926 to 1936. <sup>a</sup> We think that is pretty high increase; it is a sort of depression tax. We would hope that the depression is not going to last forever, and we do not want to block it at that amount. Perhaps somewhere half way between might be reasonable. Suppose we took 1936 for the purpose of discussion, and the tax was \$1,600,000 charge by the provinces. We might hope that the dominion government would take that over and collect it from the banks on the basis of volume of business done in the provinces, which is easily determined. Then, the dominion government could allocate that as they wished, or according to the agreement with the provinces. At this stage, of course,



not knowing what the outcome of your deliberations will be, or what your recommendations will be, or what changes may be made between the provinces and the dominion, it is pretty hard to say what that should be. The dominion government might arrange with the provinces to allocate that on a certain basis.

Now, if that was too involved they might set as a starting point the actual tax paid by the various taxes which now absorb \$1,600,000. The dominion government collect the amount and distribute it to the provinces. Of course, I would not expect that would be a fixed amount for all time. It might vary according to the change in the volume of business in the provinces. For instance, in Manitoba had an increase in the volume next year, the following year, and so on, they would get an increased tax from the banks on the basis of the increase in their turnover according to the percentage they got at the present time by their system of taxation. That is something that can be worked out. I would hope that perhaps something like that might be worked out. We would know, then, fairly definitely where we are, and whether we had to pay more taxes every year or not.

COMMISSIONER ANGUS: I shall put my difficulty in the form of an illustration. Suppose that one province thinks that in order to pay interest on borrowings in the past they have to impose higher rates of taxation than it hitherto had been doing on all the business of the province. Under the suggestion that you are making would it be told by the dominion that bank taxation is at a set figure and that the province may increase the tax on other business, but not on banks.

MR. DOBSON: I believe that is pretty nearly what the situation is in the United States. I do not see how





the provinces are going to go on and tax business at a much higher rate. As Mr. Rogers points out, if we were all taxed alike, and not discriminated against, that principle would be reasonable. It might upset the formula to some extent.

COMMISSIONER ANGUS: I shall put it this way: Are you asking for a privilege that would not have a counterpart in other businesses?

MR. DOBSON: Well, I would hope that the increase in volume might take care of the question. That is the way we look at it in trying to figure it out. We had not taken into consideration the question of the whole scale of taxes across the provinces being put up. That seems something that cannot very well be contemplated at this stage, the taxes are so high now. We hoped that by increasing business the provinces would be enabled to get a substantially increased return, probably from banks.

COMMISSIONER DAFOE: If you were to take your taxes in the various Canadian provinces and relate them either to volume of business generally in each province, or put them on an income tax bases, as is done in Australia, would there be a marked variation in the rate of taxation?

I am leaving Alberta aside for the moment.

MR. DOBSON: Yes.

COMMISSIONER DAFOE: There would be marked variations?

MR. DOBSON: As I say, the standard that we were considering as a fair standard by which to measure it is volume of business. If you apply that volume of business standard to the various provinces today you would find certain provinces were taxing at a much higher rate than other provinces. There is no doubt about that.

COMMISSIONER ANGUS: My question really ties in there. You will find a different rate as between one province and another.





MR. DOBSON: Yes.

COMMISSIONER ANGUS: Would that correspond to a similar difference in the taxation on business in general, between one province and another.

MR. DOBSON: I do not know as to that. I would think perhaps not. There is one province in particular, one of the older provinces whose rate on banks is very high. I do not think you would say that the tax on corporations is unusually high. I think their tax on corporations is perhaps a normal tax, although taxes on banks are particularly high.

THE CHAIRMAN: Mr. St. Laurent, have you any questions?

MR. ST. LAURENT: I believe Mr. Dobson, it might be of interest and use to the commission to have the statement of provincial yields of each of these various taxes so that their relative importance could be appreciated.

MR. DOBSON: Yes; we shall be glad to do that.

MR. ST. LAURENT: There was some suggestion about the amount of the present taxes collected and their relation to the volume of business as calculated under the Nova Scotia Act. Perhaps, if there was a statement prepared that would show the volume of business in each province calculated in that way it might assist the commission in determining what the burden of taxation really is.

MR. DOBSON: We shall be very glad to do that.

MR. ST. LAURENT: I noted that you said the dominion income tax on the annual profits was on the ordinary corporate rate, 15 per cent, but it did not apply to the whole of the profits listed in table No. 2 on page 5.

MR. DOBSON: Mr. Coon, perhaps you might explain that.

MR. COON: The profits in this table, sir, represent profits of the bank earned not only in the dominion but in those banks which have branches in Great Britain, the



United States, Cuba, Puerto Rico, and so on. Each of these countries, practically without exception, has an income tax which it imposes on the profits of the bank earned in that country. The Dominion Government, in certain cases where similar concessions are made by the other country, makes allowances to the bank of taxes paid in the other jurisdiction. Perhaps if I gave you an illustration you would follow me better. For instance, in Britain the banks profits are taxed by the British Government, but in calculating our profits payable to the Dominion Government allowance is made by the Dominion Government for taxes already paid on the profits of the banks' business in Britain; so that the income tax uniformly works out at 15 per cent of the profits shown here.

MR. ST. LAURENT: Is the relative proportion of the profits made outside the country as great as the difference would appear to be, for instance?

MR. COON: Mr. St. Laurent, I should perhaps mention that calculated in these profits is a relatively large amount of income from tax free bonds of the Dominion of Canada. They have now all matured and hereafter there won't be that deduction.

MR. ST. LAURENT: On page 5 you give the estimated profits for 1937 as \$18 million odd.

MR. COON: Yes.

MR. ST. LAURENT: And 15 per cent of that would be just a little more than twice the actual tax?

MR. COON: Yes; that is the reason.

MR. ST. LAURENT: Is it a similar reason that explains this difference that I find growing out of table 2 for the years 1934 and 1935 -- the total profits were roughly same about \$17 millions odd?





MR. COON: Yes.

MR. ST. LAURENT: And on table 1 the income tax for 1934 is shown as \$912,000 and for 1935 \$1,401,000.

MR. DOBSON: That is the year the rate was increased.

MR. ST. LAURENT: There was an increase of 1 1/2 per cent in the rate?

MR. COON: Yes.

MR. ST. LAURENT: That increase of 1 1/2 per cent would only mean an increase of 11 per cent, yet the difference here is over 50 per cent. Would that be explained by the variation in the class of profits that were not subject to taxation?

MR. COON: I think so, yes.

MR. DOBSON: The next year they dropped again to \$200,000. 1935 was a particularly high year. They dropped again.

MR. ST. LAURENT: It might be that in 1934 there was a large volume of tax exempt bonds refunded.

MR. COON: No; the previous tax exempt issue that was refunded was the 1933 issue. That would hardly apply in 1934. But in 1934 it is possible the next nearest matured tax free bonds were fives in March 1937, and 5½'s in December, 1937. At that time the banks could not have been holding such quantities as they did in later years. However, that is a conjecture; I could not speak definitely on that.

MR. DOBSON: Would you like an analysis of that?

MR. ST. LAURENT: No; it is only to have it appear that there is an explanation.

MR. COON: I think there is an explanation.

MR. ST. LAURENT: These figures could not be verified by any calculation made only by the figures here.





MR. COON: No.

MR. ST. LAURENT: There are other figures that enter into the determining of the amount of profit subject to income tax.

MR. COON: Yes.

MR. ST. LAURENT: Are the provincial municipal taxes handled at any rate --

MR. COON: That is a general business tax levied on business. They vary, of course.

MR. ST. LAURENT: From one municipality to the other? For instance, in the City of Quebec it is 15 per cent on the rental value. Is that a business tax applied to all business carried on in the city?

MR. DOBSON: A form of taxation which seems very different. Perhaps a more reasonable form is a tax on assessment value of property. That is something that the municipality is aware of. They know what the assessed value of the property is. The tax on that is a clear cut proposition. A tax on profits or volume of business entails a needless number of returns to every municipality in the country. It seems to us that the tax on assessment value of property is a more equitable one.

MR. ST. LAURENT: A very large proportion of municipal taxes is in the form of land taxes.

MR. DOBSON: Yes, in some cases it is a tax on land and in some cases a tax on the assessed value, and in some cases it is a tax on square feet and floor space.

MR. ST. LAURENT: But it is usually an assessment that is made regardless of whether it is a bank or some other business occupying the premises.

MR. DOBSON: Yes.

MR. COON: No.



ST. LAURENT: Apart from some licenses, the usual municipal assessment is made.

MR. COON: If Mr. Dobson will permit me to say so, there are varying rates of municipal assessment levied against banks, while there may be uniform methods. Let us take Ontario as an illustration. In Ontario all businesses pay a business tax based on <sup>a</sup> certain percentage of the assessed value of the premises occupied for the purpose of that business. In the case of banks it is 75 per cent of the assessed value; and that 75 per cent applies to wholesale merchants, loan and trust companies and express companies. Distillers pay 150 per cent; departmental stores pay 50 per cent of the assessed value and retail merchants from 25 to 35 per cent.

There is no uniform method of business tax. Banks, in this case, pay, with one exception, the highest rate.

MR. ST. LAURENT: Perhaps for the information of the commission it might be well to make up a statement that would show that in so far as it is reasonably practical to do so.

MR. COON: We have tried to do that in the synopsis of municipal taxes that appears in the Appendix. You will find it there.

MR. ST. LAURENT: It is difficult to draw any conclusion from that without having figures that would show us the importance of it.

MR. DOBSON: To show you how complicated it is I am producing this sheet (exhibiting sheet).

MR. COON: There are roughly three thousand branches in the dominion, and it would be quite a task to attempt to differentiate between what a bank was paying and an ordinary corporation in each of these municipalities.

MR. DOBSON: We shall make an effort to do that.





MR. ST. LAURENT: With respect to those that are looked upon by the bank as not being inequitable nothing would be required, but with respect to those where the bank feels there is actual inequity that might be dealt with by the commission it might be desirable to have the specific instances mentioned.

THE CHAIRMAN: I suppose that is true of the larger cities and a few municipalities where there is special power to tax.

MR. COON: Yes, sir.

MR. DOBSON: We shall to do that for you.

MR. ST. LAURENT: I would imagine from the general standpoint it would be very difficult for the commission to come to any conclusion that there is an inequity that should be dealt with without having this information.

MR. DOBSON: That is hardly the point we are making. We are just setting out in a general way --

MR. ST. LAURENT: These are the only two special taxes that have been referred to in a general way.

MR. DOBSON: We should like to see it in a more uniform way. That is the main point of our argument.

MR. ST. LAURENT: A statement showing how much each province gets out of these various forms of taxation will throw some light on the question.

MR. DOBSON: Yes.

COMMISSIONER ANGUS: The question of municipal taxation seems to me to be enormously important because the commission has been asked to look to the future and the municipalities are constantly asking that they be allowed to broaden their basis of taxation, and that means that they would resort to some sort of business tax or income tax if they were allowed to do so.

MR. DOBSON: We are suggesting here perhaps it would be possible for the provinces to agree to adopt some





uniform method, some yardstick, by which the municipalities would tax banks, and the method they would have to follow. I think that is important. I believe the most logical method is the tax on assessed values. There is no question as to what the profit is or what the volume is in that town. They have the assessed value of the property, and they might assess on that basis. That is what is done in Ontario, and it seems as good as any. We would hope, perhaps, the provinces would see that there was a uniform method adopted in those whole picture. If that could be worked out it would be a very fine thing.

THE CHAIRMAN: Thank you, Mr. Dobson. A copy of your brief will be filed as Exhibit 107.

EXHIBIT NO. 107: Submission by the  
Chartered Banks of  
Canada.

THE CHAIRMAN: The next brief on the list is that of the Investment Dealers' Association of Canada.

Mr. Daly, will you tell us who are appearing?

MR. DALY: May I ask Mr. Fraser to make the announcement?

MR. FRASER: Your Lordship and Gentlemen, the Investment Bankers' Association is represented here today by Mr. Pringle, the President of the Association, Toronto; from Montreal Mr. Savard and Mr. Baldwin; from Winnipeg Mr. Baker; also from Toronto Messrs. Elliott, Cobban and Walker; Mr. Daly of Messrs. Long and Daly, the Association's solicitors, who have had close contact for many years with federal and provincial and municipal issues of securities, and myself as Chairman of the committee who prepared the report.

THE CHAIRMAN: Will you present the report, Mr. Fraser?

MR. J.A. FRASER: May I read my notes before the



report is read?

"With the consent of your Lordship and the Commission it is my intention to read only the introduction to our brief, which has been in the hands of the commission for several days and the submissions under headings 3 and 4.

You will note that we have indicated in our brief that we shall be prepared to supplement the material appearing in it when the submissions of all the public bodies have been received by the commission. This procedure we felt would enable us to deal with some subjects as a whole and more satisfactorily from the commission's standpoint.

With regard to the brief itself (under heading No. 2) I might point out there is a considerable amount of historical material which we felt might be of use to the commission as indicating the background and giving a general idea of the growth of the machinery for the distribution of the securities of public bodies, machinery which is we feel, of vital importance in meeting the legitimate capital requirements of these bodies.

A section of the brief is devoted to a short description of the market situation with respect to various public borrowers as such market reflects the condition of strain existing in the fiscal affairs of certain public bodies.

As members of the Investment Dealers Association and as Canadian citizens we are desirous of giving our best help in solving the problems under consideration by the Commission. We have among our members a large number of



capable men willing to cooperate with the commission to the end that successful results may be obtained.

Upon completion of reading the report, should there be any general questions which the commission may care to ask the president of the Association, Mr. Pringle, is available to discuss the business aspects, Mr. Elliott the economic, and Mr. Daly the legal."

Shall I proceed with the brief now?

THE CHAIRMAN: Yes, if you please.

The Honourable Newton W. Rowell, LL.D.,

Chairman,

and Members of the

Royal Commission on Dominion-Provincial Relations.

Gentlemen:

#### INTRODUCTION

The Investment Dealers' Association of Canada is glad to have this opportunity of placing before you certain information and representations respecting matters falling within the broad terms of reference outlined in the Order-in-Council creating the Commission.

Two important considerations have influenced the association in its decision to apply for a hearing before the Commission.

In the first place the breadth of the terms of reference indicates that action looking to a solution of the problems raised will impinge in varying degrees upon the affairs of every commercial, industrial and financial enterprise in the Dominion. The Association, therefore, with a membership in every part of the Dominion, is actively





interested in the solution of these problems.

In the second place the association has a more particular and direct concern in the commission's problems by virtue of the activities of the association in relation to public financing in Canada. Its members have, over a period of years, developed in Canada an organization for meeting the capital requirements of public borrowers in the domestic market. More detailed reference to this development will appear later in this submission.  
<sup>be mentioned</sup>  
 It may/here, however, that during two periods of crisis in the past twenty years, when outside capital markets were virtually closed to public borrowers in the Dominion, the members of the Investment Dealers' Association, with active banking and public support, secured in the domestic market the hitherto unprecedented sums required in Canada's war effort and in meeting the financial emergencies of the depression years. The Association's members, in their daily dealings in the obligations of public borrowers in the dominion, and in their contacts with institutional or private investors and the officials of the borrowing authorities, have a specialized function covering a part of the field of public finance. These observations apply with particular force to the maintenance of a broad and active market for public securities and the marketing of necessary public issues of credit-worthy borrowers.

Due to their connection with the government bond market, the members of the Association have had an opportunity to observe at first hand some features of public finance which have been unfavourable to borrowers, investors, dealers and the



country. At the same time, developments in recent years have indicated general lines upon which corrective action might be taken. The association would emphasize, however, that where references appear to such possible corrective action, it is not its intention to present a detailed solution for problems of which the governments concerned, and the secretariate of the commission, have a more direct and intimate knowledge. In other words, we are not undertaking, at this time, to suggest the nature and allocation of the expenditure, responsibilities which have been or should be accepted by governmental jurisdictions in Canada nor the nature, sources and rates of the appropriate revenues to meet those expenditures.

To summarize, the Association's submission, therefore, will be presented under four main headings, as follows:

1. Relation of investment dealers to government finance (appearing on pages 2 to 10).
2. Features of public finance which have been unfavourable to borrowers, investors and the country (appearing on pages 10 to 12).
3. Suggestions for corrective action and results which might be expected (appearing on pages 12 to 15).
4. Special observations regarding certain matters of provincial and dominion administration of particular application to the business of investment dealers ; (appearing on page 15).



A short summary of the brief appears on pages 15 and 16.

The association, in submitting its brief at this time, does so, of course, with the assurance that there will be an opportunity accorded it to present certain supplementary material at a later date relating to the debt structure and other matters after all provincial briefs have been presented. It may be, also, that the Commission may desire to avail itself of such technical assistance or advice as we may be able to supply in connection with the problem of public debt. The members of the Association would be pleased to accede to any request of the Commission in this matter."

I shall not turn to page 10 and read from the middle of the page.

"FEATURES OF PUBLIC FINANCE WHICH HAVE  
BEEN UNFAVOURABLE TO BORROWERS, INVEST-  
ORS, DEALERS AND THE COUNTRY.

Credit is maintained by public borrowers only so long as investors have confidence (a) in the borrowers' ability to pay and (b) in their willingness to adhere strictly to the terms of the original borrowing contract. In Canada confidence has been shaken to some extent in both directions.

To deal first with ability to pay, the frequency of current deficits on the part of the provinces has caused some uneasiness. According to published reports during the last ten fiscal years of the nine provinces - a total of ninety fiscal years - there have been no less than sixty-one deficits on current account which, when capitalized, continue to add to debt charges.





The existence of these deficits may probably be attributed to four distinct causes.

In the first place, there is the special situation which has obtained in the Prairie Provinces where a conjunction of the low prices for agricultural products and extreme variation in crop returns, combined with an absence of a large amount of settled wealth, has, during the past six or seven years, imposed a special strain on the finances of the public authorities in that area.

Secondly, every public authority in Canada has felt the strain of increasing expenditures for relief of distress arising from a world-wide depression at a time when tax revenues had declined due to such depression.

Thirdly, the widening concept of government responsibility to extend social services and initiate new ones was, if anything, accelerated during the period since the war. As a result, there were increases in expenditures arising from education, mothers' allowances, old age pensions, the care of the mentally infirm and other similar services. It was deemed undesirable, and was indeed practically impossible, to reverse this development during the depression years, although the expenditure on some of these services in the Prairie area were, according to information made available to the Commission, curtailed to an extent which greatly impaired the quality of the service being administered.

In the fourth place, however, it may be stated as the generally accepted view that there has been unnecessary expenditure through parallel activity



by departments in the Dominion and Provincial governments dealing with almost identical matters. There has been an absence of any program recognizable as such with regard to some features of the capital works expenditures of provincial administrations.

It is a fact that while provincial administrations through legislation imposes on municipalities the obligation to amortize municipal loans over the life of the work for which the municipality has borrowed, the province itself, on its own obligations incurred for similar public works expenditures, makes no such provision for amortization. Had such a course been followed provincial debts would have been lower through retirements in prosperous years and the operation of such sinking funds would probably have been a deterrent to further public works expenditures which were financed without adequate provision for amortization. A related practice has been the action taken in certain provincial and municipal administrations to use sinking fund moneys to purchase new issues of the borrower, thus diluting the security for obligations outstanding with the public.

As has been pointed out earlier in this submission, some jurisdictions were able to effect savings on refunding operations because of the easy money conditions obtaining. In some instances, however, these interest savings have been lost to the tax-payer through further capital expenditures which have increased debt charges up to, or above, the original level.



While a narrow interpretation of the Commission's terms of reference might seem to exclude municipal finance from the Commission's considerations, nevertheless, there is in the Order-in-council a reference to the increasing burden on real estate in municipalities. Unquestionably this is due in part to the financing of a portion of the cost of social services on a relatively narrow tax base, namely, real estate. Another cause of this condition of strain in municipal finances has been the absence of a thoroughgoing supervision by provincial boards of the capital works programs of municipalities. In several of the provinces the independent powers of certain subsidiary organizations, such as boards of education, have made almost impossible effective control of municipal expenditures by the municipal council.

The absence of complete and readily understandable statements of provincial and municipal finances and the delay in publication of such statements as are made available adds further to the confusion of thought which surrounds much of the discussion with regard to public finance. There is an undoubted need for the prompt publication of complete and clear statements presented in a uniform form such as would enable comparisons to be made. In this connection the Commission is referred to a report on the objects of the Dominion-Provincial Conference on Municipal Statistics.

In any catalogue of the features of public finance which have been unfavourable to practically every interest in the country, the recurring deficits of the Canadian National Railways must





necessarily be given a prominent place. As is well known, several public issues of railroads now part of the Canadian National Railways System were guaranteed by provincial governments. It is not suggested in this submission that this Commission is charged with a solution of the Railway problem but it is here reiterated that the financial problem of Dominion-Provincial relations is greatly aggravated by the existence of an unsolved Railway problem.

In turning to the second main feature of public credit, namely, willingness to pay, reference should be made to another development with respect to public finance which has been most unsettling to public credit throughout the Dominion. The difficulties which have been outlined in the foregoing paragraphs, combined with impatience at the delay in their solution, and in some cases a lack of faith in the possibility of an orderly solution, have resulted in some instances in the public statement of an attitude which has been interpreted as the repudiation of obligations. Demands have been made in some quarters for what amounts to forced conversion. Legislation has been passed in some jurisdictions altering loan contracts without previous consultation and agreement, and such legislation in some instances, has attempted to close the Courts of the country to those seeking redress from such arbitrary and unilateral action.

In concluding that the province of Alberta, which had arbitrarily reduced contractual interest on its obligations, was able to meet such interest, the report to the Alberta Bondholders'



Committee pointed out: "We are keenly aware of the deflation of values, the contraction of income and the social distress and responsibilities which have come to every community and to nearly every home in Alberta and elsewhere. We are not unmindful that the absence of rational coordination of Dominion, provincial and municipal responsibilities and an outmoded system of tax incidence and organization are bringing special responsibilities to those formulating public policy. Yet, amid these difficulties, the Government and the people of Alberta must decide whether they will impose upon themselves unnecessary sacrifices through repudiation, when orderly economic procedures are within their grasp without further sacrifices.

'In making their decision it will have to be borne in mind that in the kind of world where capital seeks, and because of modern trustee organization, must have a safe haven at interest if corresponding liabilities are to be met, two-fold penalties are necessarily imposed as a result of the action of a defaulting borrower.

'One penalty is imposed upon the borrower himself who necessarily finds himself unable to borrow for legitimate economic purposes because of his previous bad faith. The other penalty is imposed upon the lender who finds the value of what he regarded as a financial asset impaired or lost.

'In the case of individuals these penalties are serious enough; in the case of a province,



representing 800,000 citizens as debtors, dealing with many thousands of security holders as creditors the penalties can be overwhelming. For it should be apparent that unjustified default will stultify future developments and needs that could logically and reasonably only be supplied by loans and, on the creditor side, it will set up a further deflation in the value of financial assets, the consequences of which cannot be ignored in a Canadian economy which has gained an important part of its material development from internal and external financial support.<sup>X</sup>

X Report to Alberta Bondholders' Committee dated July 17, 1936.

SUGGESTIONS FOR CORRECTIVE ACTION  
AND RESULTS WHICH MIGHT BE EXPECTED

We desire to emphasize at the outset that any suggestions we have to make are based on the following assumptions:

- (a) That in each jurisdiction in Canada there is a sincere desire in the interests of Canada as a whole and in the interests of each individual province to re-establish credit where credit has been impaired.
- (b) That each jurisdiction in Canada is willing to view our present situation from a national rather than a sectional standpoint and to make some sacrifice to promote the welfare of the country as a whole and of the individual members of the Confederation.





(c) That if by virtue of such sacrifice any benefits accrue to any jurisdiction in Canada whose credit may be impaired, that jurisdiction will be willing to make special efforts to restore such credit and for such purpose will accord its fullest cooperation in any measures deemed necessary to accomplish that result.

We also wish to point out that any observations made herein are subject to such modifications as may appear desirable to this Association when complete information on the various matters at issue becomes available. For the present our observations are limited to indicating what seems to us feasible at the present time as a method of approach to the solution of our difficulties. We are anxious to make whatever contribution we may at the moment to assist the Commission in its task but we reserve the right to modify our own suggestions and indeed will be anxious to support some alternative form of procedure if additional information, as it becomes available, appears to make other types of solution more desirable.

In the absence of the detailed submissions of all of the public jurisdictions in this connection and without the benefit of complete statistical data, we are naturally unable to draw any detailed conclusions at this time regarding the rehabilitation of public finances in Canada. Nevertheless, we are constrained to set down in general terms some considerations applicable to the Dominion and provinces regarding the economic and social environment of the public finances and



the nature of fiscal objectives.

If the credit standing of all public jurisdictions in Canada is to be restored and maintained we believe that the prime objective of fiscal policy must be the attainment of successive balanced budgets, subject only to the borrowing that may temporarily arise under emergency conditions, and to the borrowing for useful revenue producing public purposes. The cardinal requirement in this connection is the formulation of long-range fiscal policies that will assure a balance in public budgets, thereby restraining the growth in debt service charges.

As we point out later, we believe that long-range policies, as well as special needs of various areas, can best be achieved by mutual consideration and suggestion by all the partners in Confederation. Our conclusions as to corrective action, therefore, revolve around the methods that may be employed, after mature consideration by all the fiscal authorities, to attain budgetary balances in all jurisdictions.

By a balanced budget, we mean that current revenues should be sufficient to provide on a fairly uniform basis throughout the country the administrative, protective, social and other expenditures customary to and specifically allocated to the various jurisdictions, including unemployment relief disbursements and other social benefits, unproductive extraordinary expenditures, appropriate reserves and sinking fund appropriations calculated to retire, in a determined period, at least those debts which



have been incurred for unproductive purposes in the past.

As a first step we suggest that your commission should consider the costs of government in Canada, including social service costs and administration, and, after allocating these costs to the respective jurisdictions, we suggest that the available constituent revenues be estimated. Such a procedure would, we believe, indicate to taxpayers the scale of recurring government costs which must be met and the amount and nature of the revenues, in general, available to meet them out of the economic income produced. In this connection, ways and means should be examined as a result of researches made by and representations made to the Commission to reduce the cost of Government in individual jurisdictions and the cost of Government in the country as a whole arising by virtue of overlapping systems of administration. It is also very much desired that there should be a more or less uniform system in the preparation of budgets and the presentation of public accounts and statistics.

It may be that the resulting financial positions of the various governmental jurisdictions will show sufficient revenues available to meet the revised costs but it is also possible that there will be a discrepancy as between revenues and expenditures. In other words, it may be found that the taxable income and other sources of current revenues are not sufficient to support a basic minimum scale of governmental expenditures in various jurisdictions. This condition is, of course, a reflection of the variations in Canadian





economic conditions, variations that arise from different stages of economic development and sources of income in various areas, from irregularity in the rate of economic growth, from the vulnerability of certain areas to quick alteration of income, and from the different nature of social responsibilities imposed by the geographical location of the areas.

If the objectives of budgetary balance and uniformity in fiscal arrangements are sincerely desired by the provinces, there appears at the moment to be only one way to eliminate the budget deficits. Assuming that the costs of government are imperative and cannot or should not be reduced, those provinces whose budgets do not give promise of a balance should reconcile themselves to the acceptance of subsidies from the Dominion Government. Such a procedure presupposes that balanced budgets are an essential part of any solution of our fiscal problems and that there will be a willingness to meet a national problem by concerted action which may involve what might appear to be sacrifices by some of the partners of Confederation.

We feel that annual subsidies, involving revenue collection by one jurisdiction for disbursement by another, are essentially vicious in principle but condone them only because of a desire to assure the public's requirements for governmental services and to achieve some unity in fiscal policies. As an alternative, or in certain cases as a supplementary source of income to offset temporary disabilities of an extraordinary nature faced by provincial jurisdictions, we



would suggest federal assistance by way of special conditional grants and/or loans, provided a measure of control is established to ensure proper use of funds.

If any plan of national cooperation and consultation to achieve balanced budgets is reached and is acceptable in principle to all jurisdictions, two further considerations arise. One is that, in the allocation of tax powers as between the Dominion and the provinces --- an allocation which must give weight to the expenditure responsibilities assumed by the jurisdictions -- it is our suggestion that since resiliency and flexibility are essential in federal taxation, if the practice of special conditional grants and/or loans is to be followed and federal deficits avoided, the preponderance of taxing power and also residuary taxing power be allocated to the Dominion Government.

The other consideration is that appropriate arrangements will have to be made to determine the amounts of and conditions under which subsidies and special conditional grants and/or loans will be made. In those areas where, under the conditions outlined, a balanced budget does not seem feasible, we believe that, as a first step, your Commission might well consider the nature of the economic or other impediments which are responsible for this lack of balance. The Commission might then determine the amounts of annual subsidies which might be paid by the Dominion of Canada as a contribution to equalize the relatively permanent obstacles to sound public finance and at the same time render at least the minimum services which the public should expect from their association





in government. Temporary disabilities of an extraordinary nature requiring special assistance could be dealt with by way of the special conditional grants and/or loans above referred to. We believe that it is highly desirable that the fiscal policies of the Dominion and, whether or not a province is under the necessity of accepting a subsidy, we would suggest that all provinces be urged to submit their financial estimates and plans to the bodies mentioned below for mutual consideration and suggestion.

Believing that public budgets have reached a magnitude where expert advice and administration are desirable, and that the necessity of making a special grant and/or loan is in itself evidence of economic immaturity and /or deficient fiscal control, we commend to your Commission a suggestion for the establishment of a permanent Dominion Grants Commission, reporting to the Dominion Parliament but which, in consultation with a National Consultative Committee, might recommend the amounts of special conditional grants or loans and the stipulations involved in making the same.

It is suggested that the personnel of the National Consultative Committee, which would meet regularly and with reasonable frequency at Ottawa, should consist of representatives from each of the provinces and the Department of Finance at Ottawa. This body, in our opinion, should have no executive power and only restricted advisory powers. It would, however, have a permanent secretariat and it would form a clearing house for information as to the capital works programs and general financing problems of individual provinces and would in that way give





to each of the provinces a valuable general perspective of the relation of its own activities to the problems of public finance in the Dominion as a whole.

We would hope that such a plan, while bringing expert advice to the consideration of fiscal problems, would remove provincial finances from the area of public recrimination. By the concerted action of the representatives from all parts of the Dominion, basic fiscal needs would be recognized and supplied, thereby promoting the preservation of public credit in which all the parties have an interest.

The above statement relating to methods of attaining certain primary fiscal objectives which might go far in restoring the credit position and fiscal stability of the provinces is necessarily of a general nature. We emphasize that it is made in a positive and helpful spirit but we are by no means emphatic that the structures proposed for consultation and planning are the only solution to a major problem of public finance. The whole suggestion is, of course, contingent upon the premise that, after reallocation of fiscal powers, budgets may be unbalanced and require federal assistance.

If some such method of approach is made by your Commission, detailed consideration will have to be given to the question of allocating revenue sources and expenditure responsibilities. At this time we do not wish to make any comments upon this subject, except to draw to your attention the tendency towards duplication and lack of



coordination in taxation. We are also reserving, at this time, comment regarding outstanding public debts, save to remark that the establishment and administration of sinking funds appears to be a subject worthy of expert inquiry."

(Page 3205 follows)



"We conclude our observations by emphasizing that the restoration of public credit in Canada should be effected without setting up unjustified discrimination among taxpayers and without dispensing with essential government functions and obligations in the various jurisdictions, matters that can best be determined by your own researches.

Where the attainment of budgetary equilibrium is impossible because of permanent or temporary disabilities it seems evident that rigidities can be removed only by a national sharing of the disabilities in the way of grants approved by all the parties concerned and continued only as sound fiscal policies are pursued.

With the development of an adequate yet economical framework of government in Canada, a rational and generally uniform system of taxation, and provision of means whereby budgets can be balanced and supervised, we believe that western municipal and western provincial government bond yields -- which are the market's appraisal of credit rating -- would once again reflect the marketability of government obligations and permit economical re-funding of maturing obligations. Quite as important, too, would be the influence of sound public credit as an important factor in promoting the return of national prosperity.

If governments in this country show a willingness to accept, under some such plan as we have outlined above, the discipline of balanced budgets, we venture to forecast that a major contribution to national and local welfare and stability





"will have been made.

OBSERVATIONS RESPECTING MATTERS OF  
DOMINION AND PROVINCIAL ADMINISTRATION

In the above we have outlined one broad method of approach to the problem and we have not thought it desirable at this time to make any detailed reference to existing governmental administration. There are certain features, however, which to those engaged in the distribution of securities are so obviously an inevitable and in our view unnecessary addition to the cost of government that we feel it our duty to place before you one or two outstanding examples as follows:

(1) Collection and audit of transfer taxes.

The present system of imposing and auditing the payment of taxes on the transfer of securities, by the Dominion government and the Ontario and Quebec governments is highly unsatisfactory. The economic waste involved in the imposition of these taxes by various governmental authorities and the auditing of the documents bearing transfer tax stamps by both federal and provincial auditors points to the desirability of an arrangement for the central audit and collection of such taxes.

(2) Company and Blue Sky Legislation. The necessity for companies to prepare and file a multiplicity of forms and returns for each jurisdiction, and the obligation of issuing bodies and dealers to prepare and file under the Companies Act of Canada and the Blue Sky Acts of the various provinces regulating the issue and sale of securities material in as many different



"forms as there are different jurisdictions draws attention to the unhappy overlapping of Dominion and Provincial jurisdiction and administration and the desirability of uniform legislation in respect to companies and in respect to the control of the sale of securities."

THE CHAIRMAN: With reference to the suggestion contained on this last page that we have read; page 15, collection and audit of transfer taxes, is your objection to the fact that there are two taxes, one provincial and one Dominion, or is it limited solely to the additional expense and trouble incurred in having two bodies to check and supervise taxation.

MR. FRASER: The point is, in the first place, that these different auditing and collecting systems cause considerable expense to the respective governments and also to the firms who are being examined, by reason of the frequency of visits of auditors and collectors.

THE CHAIRMAN: Would the difficulty, as you see it, be overcome if we had, in connection with the transfer tax, a system similar to that which has now been established between the Dominion and the province of Ontario in connection with income tax, whereby one return is filed and the whole tax is collected by the Dominion?

MR. FRASER: I should think that would solve it; in other words, there is no objection to paying taxes.

THE CHAIRMAN: What you are pointing out is the unnecessary expense involved in the collection.

MR. FRASER: Yes. It adds to governmental expense as well as to the expense to individual firms because of the numerous interruptions.



THE CHAIRMAN: Coming to the second suggestion, with reference to Company and Blue Sky legislation, have you any suggestion as to how that might be met? You point out the difficulty in connection with duplication of returns and so on. Have you considered any suggestion with respect to that overlapping?

MR. FRASER: The overlapping is the main point there, and also the difficulty in connection with filing, with respect to one issue of securities, in the various jurisdictions. Mr. Daly might speak to that, if he has any ideas to offer on the subject.

THE CHAIRMAN: Mr. Daly, will you develop that for us. We want all the help we can get on these practical points.

MR. DALY: I should think the obvious way to handle it would be to have the qualification in one jurisdiction tantamount to qualification in all. Some system such as that could be worked out.

THE CHAIRMAN: In the issue of securities, you have to file with the Dominion, or is it only in the provinces that you have to file?

MR. DALY: If it is a dominion company, you have to file the material required by the Companies Act. You have rather a complicated type of prospectus to get out.

THE CHAIRMAN: And in the provinces in which that company carries on business or desires to sell securities it must also file.

MR. DALY: It must comply with the provincial requirements in that respect, and these requirements vary materially in the different provinces. In some you file a different type of prospectus. In Ontario you





have to get a prior consent before you are allowed to sell securities in the province; the matter has to go through the Securities Department. That does not obtain in some of the other jurisdictions, but you have to file a rather elaborate amount of material. And then there is this difficulty, too, that in some jurisdictions it is hard to find out what you are expected to do before you can proceed with the sale of securities; and by reason of the uncertainty and the actual filing of the material, expense and delay are involved. And that is a vital factor in the sale of securities.

THE CHAIRMAN: If you are dealing with Dominion companies only, it is your view that the prospectus required by the Dominion should be one that is acceptable to the provinces, so that only one prospectus would require to be filed before you commenced to sell securities.

MR. DALY: I should think that would be ample.

THE CHAIRMAN: That would be one solution; have you any other suggested solution?

MR. DALY: I do not know that I can speak generally for the association.

THE CHAIRMAN: But have you anything in your own mind, not speaking for the association but in order to give the Commission the benefit of your views? You have had a great deal of experience in this matter, and what you say now does not bind any members of the association; it is given only at our request.

MR. DALY: I believe that the requirements under the Dominion Companies Act are themselves rather ill-conceived. I think you might have to start there first of all.

THE CHAIRMAN: Without going into details, in what



particular respect?

MR. DALY: There are in the Dominion Companies Act some provisions which it is difficult to understand at all -- the provisions relating to underwriters and so on, and what their duties are when they sell securities.

THE CHAIRMAN: You think it needs clarification?

MR. DALY: I would go so far as to say that my lord, yes.

THE CHAIRMAN: Is there anything further along that line that you have in mind?

MR. DALY: I think it might be more desirable, possibly, if we prepared a memorandum giving suggestions to which you might be able to give some consideration and which might possibly be of some assistance to the Commission.

THE CHAIRMAN: You point out here two particular matters in respect to which you suggest that the Commission might take some action, and as you are dealing with these problems every day, I thought it might be helpful to us if we had the benefit of your suggestion as to how these problems could be dealt with in a practical way.

MR. DALY: I think it is a question of reconciling the machinery of the various provisions so as to create a uniform system of compliance with the various acts. Of course, it is more easily said than done.

THE CHAIRMAN: It comes down to this. Your idea is that either there should be one Companies Act for all Canada, or the Dominion and the provinces should agree upon a uniform Companies Act so long as legislation is divided as it is to-day?

MR. DALY: Yes.

THE CHAIRMAN: Have you any solution to offer with respect to this second problem which you have put up to us -- any solution short of a uniform Companies Act?





MR. DALY: I think there is, my lord. Most of the restrictions governing the sale of securities are contained, not in the Companies Act at all; in the provincial jurisdictions they are contained in other acts that are ancillary

THE CHAIRMAN: Then this particular problem, in your view, might be solved by harmonizing the sections in the Dominion Companies Act dealing with securities with the various provincial acts that have to do with the marketing of securities.

MR. DALY: That could be done.

THE CHAIRMAN: And I judge that your association feels that this is important and desirable in order to save expense of administration as well as expense to the people who have to deal in securities.

MR. DALY: I should think their idea would be that it would be desirable to have uniformity, not necessarily harmonizing all the provisions in the Dominion Companies Act.

THE CHAIRMAN: Uniformity might result in the elimination of some. I think that answers my question.

COMMISSIONER MacKAY: I understand that there is in progress now a uniform Companies Act. Do you know anything about that?

MR. DALY: Yes; I believe that one has been under study for some years now.

COMMISSIONER MacKAY: Do you think that would meet your problem at all?

MR. DALY: I have not seen the act.

THE CHAIRMAN: There are two other questions on the financial side. Your suggestion is that there should be an advisory body in connection with the proposed Grants Commission. Have you studied the organization and the work of the Australian Grants commission?





MR. FRASER: I suggest that Mr. Elliott answer that question.

MR. ELLIOTT: I have not studied it personally, my lord, but one of our members, Mr. Walker, has given it some examination.

THE CHAIRMAN: I was wondering whether you were in a position to tell us whether, what you have here proposed is based on experience elsewhere, or whether it is just your considered view as to the form and functions of such a commission.

MR. ELLIOTT: I should say it is rather based upon a desire to attain the prime fiscal objective which we have set up, namely, the balanced budget. I should not say that our consideration has been developed out of the experience of the Australian system; rather, it has been based upon those ideas as to structure which might serve in Canada.

THE CHAIRMAN: Do I understand your suggestion to involve this -- that this Grants Commission should consider and review periodically the financial position of the provinces, and, where the circumstances appear to warrant, should recommend the grant of an additional sum to the province concerned.

MR. ELLIOTT: It would be our expectation and hope that the Grants Commission, either upon application of the province or upon the suggestion of the National Consultative committee, would make investigation where investigation was necessary and come to some decision as to fiscal need; and then, before recommendation to the federal government, it would make its recommendation known to this National Consultative Committee, where it would be considered by the provinces and by the Dominion before



presentation to the Dominion government; in other words, that there would be a practical check upon the findings and the proposed recommendations of the Grants Commission.

THE CHAIRMAN: The recommendation of the Grants Commission would go to the Consultative committee.

MR. ELLIOTT: Without going into any cut and dried methods, I should think it would be highly desirable that in the case of a recommendation of the Grants Commission involving a proposal that a certain conditional grant or loan be made to a particular province by reason of temporary disability, the circumstances requiring that grant and the proposal of the Grants Commission itself should be known to the partners of Confederation. If any particular jurisdiction had objection to it, it would seem to us that the objection or objections should be reconciled among all the partners of Confederation, and the final recommendation of the Grants Commission as presented to the Dominion parliament would in effect have carried the judgment of the constituent members of the Consultative Committee.

THE CHAIRMAN: Assuming that you have a Grants Commission, an entirely independent Commission: it goes into the matter and reaches a certain conclusion that, owing to special conditions in a particular province, there should be a grant or loan to that province. Assume that the Consultative Committee reached a different conclusion; what then?

MR. ELLIOTT: I am afraid that in that case, my lord, a compromise would have to be found.

THE CHAIRMAN: The question is, on whose authority is the recommendation to go to the government of the day? I thought the first idea was that some province might suggest to the Commission the review of the matter and the



Grants Commission would review it and pass it on to the government. But apparently the reverse is the order; the Grants commission passes it on to the Consultative Committee.

MR. ELLIOTT: For checking, in general, the proposal as we see it is this -- that where there is a temporary disability, application is made for assistance. The determination of the amount of the assistance should in the initial instance be made after proper research and investigation by the Dominion Grants Commission. A grant to one of the partners of Confederation might involve a sharing of the disability through the payment of taxes to the Dominion government. We believe then, that in the interests of unity and of fairness, the basis of the Grants Commission's recommendations should be known. It would be well to have the proposal of the Grants Commission reviewed by the partners of Confederation, purely from an advisory point of view. I would not suggest any specific cut and dried methods by which the machinery could be set up; in other words, it seems to me that, in their wisdom, the Commission can be given very precise powers, if it is so desired, and the opinion of the National Consultative Committee would be of a purely advisory nature.

THE CHAIRMAN: Would you think that such a Grants Commission should consider the financial policy of the province, as to whether the province seeking relief had conducted a reasonably economical and efficient administration as compared with one that was reckless and extravagant?

MR. ELLIOTT: I should think it would be implicit in the functions of the Grants Commission that some such





investigation should be made, and if certain conditions were laid down they would have to be adhered to.

THE CHAIRMAN: I am only thinking in terms of your other suggestion. One can readily understand that if a province carrying on a reasonably economical administration found itself in an embarrassed situation, owing to untoward circumstances which it could not reasonably control, all the other provinces would be prepared to agree that it should have help, and would support a recommendation of that kind. On the other hand, if a province had been passing through a period of what the other provinces might consider reckless or extravagant expenditure, those other provinces might not be willing to support a recommendation for special relief.

MR. ELLIOTT: And knowing that any course of reckless over-expenditure would be subject to review, and, possibly, censure, on the part of the partners of Confederation, we might find that the necessity of appearance before the Consultative Committee would exercise a restraining influence in the matter of expenditures. One would hope that the knowledge that a province would be so restrained might exercise a beneficent influence.

COMMISSIONER D. FOE: I infer from a reading of the submission -- perhaps my inference is not justified -- that you envisage two possible lines of policy -- one, a reconsideration of the needs of the province on a permanent basis involving the possibility of variation in the constant subsidies paid by the Dominion, to be determined upon taxable capacity; and then, in addition to that, there are the temporary disabilities to be met by special grants. Am I right in that?

MR. ELLIOTT: I take it, sir, that that is the fundamental basis of our representation.



COMMISSIONER DAFOE: This association in its judgment recognizes the wisdom of the principle that subsidies should be based upon fiscal need and not upon a per capita basis so far as the provinces are concerned. Of course, you are aware that this has been a matter of controversy for a long time between some of the provinces and the Dominion.

MR. ELLIOTT: On the basis of a general approach such as we have made, I think we would be inclined to emphasize, in a country the extent of Canada, that there are certain impediments, obstacles and disabilities as between those areas which might require assessment and determination and that if a satisfactory basis can be found, the policy of the payment of annual subsidies should give effect to these relative disabilities.

COMMISSIONER DAFOE: According to some formula of taxable capacity, if it could be determined.

MR. ELLIOTT: I am not sure. You must recall that as an association we have not gone into these matters in great detail; but I should be inclined to think that the formula would not be found exclusively in taxable capacity, in any simple statement of taxable capacity; rather, it would be found in the economic factors that in themselves determine taxable capacity.

COMMISSIONER DAFOE: I regard the suggestion as a very important one, coming from this organization, because the Dominion has always resisted such a change of policy.

MR. ELLIOTT: We would be the first to admit, I think, the difficulty confronting your commission in setting up a new basis of permanent subsidies, or relatively permanent subsidies, which would be subject to periodical change, say in ten years or some relatively long period.

THE CHAIRMAN: It is your view -- am I right in assuming that it is -- that the opinions you have





expressed on this point are those of the association?

MR. ELLIOTT: I would not go so far as to say that; I would rather have them considered as my own personal views.

COMMISSIONER DAFOE: The paragraph on page 14 pretty well accepts on behalf of the association the theory that there are fundamental and natural differences which justify permanent variations in the subsidies, but not excluding the possibility of these variations being subject to periodical adjustments. That would be a permanent modification of the principle of subsidies, and then the question of special grants would come in as a supplementary suggestion.

THE CHAIRMAN: Have you any questions to ask, Mr. Stewart?

MR. STEWART: There are one or two questions which I should like to ask with reference to Mr. Daly's department. With reference to legislation, on page 15, as I understand it there are really three separate points for consideration there. First of all there is the multiplicity of laws under which companies may be incorporated. Did you have that in mind, Mr. Daly?

MR. DALY: I think the association had more in mind the multiplicity of forms they had to make out and deliver to various governmental departments in making returns from time to time.

MR. STEWART: The second point would be the requirements as to prospectuses and the filing of information before securities can be marketed.

MR. DALY: Yes.

MR. STEWART: And the third, although I do not think it is implicit in the paragraph, is the registration of brokers and salesmen -- or do you include that





in your idea of Blue Sky legislation?

MR. DALY: No.

MR. STEWART: You would recognize that as coming properly within provincial jurisdiction -- the licensing or registration of brokers and salesmen?

MR. DALY: Yes.

MR. STEWART: As regards Blue Sky legislation proper, is it your suggestion that there be only one examination and one statement filed, or that uniformity be worked out among the provinces and the Dominion -- that the material required by each should be the same? Is that your idea, not a change in jurisdiction, but uniformity of practice?

MR. FRASER: We want to minimize the difficulties as much as possible. At present the whole matter is complicated.

MR. STEWART: Are you suggesting that there be merely one examination of the material by a central board or the Dominion government, or that each province should examine separately the material that is supplied and pass upon it?

MR. FRASER: We want to reduce the difficulties and the delays to the lowest possible level. That would be satisfactory.

MR. STEWART: Has any attempt ever been made to achieve uniformity in Blue Sky legislation?

MR. DALY: Yes, I believe that was attempted. There may have been uniform companies information acts and securities acts at one time. They are not exactly uniform at the present time. That is the difficulty with uniform legislation; it does not stay put very long.

MR. STEWART: You think that something more than a convention or an agreement is necessary, because the convention or agreement is departed from shortly after it



is made?

MR. DILLY: Each legislature is at perfect liberty to amend its own legislation and, while there is a convention, to comply with it; but it is inevitable that there will be changes. I spoke a moment or two ago about the additional requirements in Ontario, for instance, even after the provisions of the Dominion Companies Act have been complied with. I do not want to convey the suggestion that they are onerous or unreasonable, because as a matter of fact there is very great cooperation. I was merely instancing a different method of handling the matter. There you have antecedent approval before you sell securities.

MR. STEWART: Your paragraph is not predicated on the idea that any province is unreasonable but that the duplication is the unreasonable feature.

MR. DILLY: Yes.

MR. STEWART: One other point. I see at the bottom of page 13, Mr. Fraser, you make the statement that annual subsidies are essentially vicious in principle.

MR. FRASER: Collected by one jurisdiction.

MR. STEWART: Quite -- collected by one jurisdiction to be expended in another. What objection had you in mind?

MR. ELLIOTT: I believe our view is two-fold in that respect. It is not wise to put in the hands of one jurisdiction for expenditure revenues collected by another. There is lack of responsibility, which may or may not be self evident. And as regards actual administration of fiscal affairs, it may become difficult for the responsible jurisdiction to carry on in the event of the donating jurisdiction finding it impossible to continue



grants. We have had in some of the junior jurisdictions evidences of difficulties that have arisen by reason of the necessity of stopping the payment of grants.

THE CHAIRMAN: We wish to thank you, gentlemen, for the brief that you have submitted. It will receive careful consideration. It contains some important suggestions with respect to the problems we have to consider.

EXHIBIT 108: Brief submitted by The Investment Dealers' Association of Canada.

(At one o'clock the Commission took recess.)





## AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: Next is the Brief to be submitted by the Canadian Electrical Association, by Mr. Mather.

M.R. R. H. MATHER, President of the Canadian Electrical Association, was called.

COLONEL J. L. RALSTON, K.C: Your Lordship and Gentlemen of the Commission, I am appearing for the Canadian Electrical Association with Mr. Mather, who is the President of the Association, and Mr. Fairchild, who is the permanent Secretary of the Association.

Mr. Mather will tell your Lordship and gentlemen of the Commission the number of companies which are represented in this Association, their output and the extent of their operations, and then will, if it is agreeable to the Commission, read a memorandum. Mr. Fairchild is here to answer any inquiries because, as I say, he is the permanent Secretary of the Association and has all the data in connection with its activities.

THE CHAIRMAN: Mr. Montgomery is also appearing with you?

MR. GEORGE H. MONTGOMERY, K.C.: I have a sort of watching Brief, your Lordship.

THE CHAIRMAN: Very well, Mr. Mather.

## SUBMISSION BY

## THE CANADIAN ELECTRICAL ASSOCIATION

MR. R. H. MATHER: Your Lordship and Gentlemen, the Canadian Electrical Association is an association of privately operated electrical power companies. The Association is now in its forty-eighth year. Our privately operated power companies number about 59 and



take in practically all the privately operated companies in the Dominion with the exception of those very small ones having about one thousand customers, which are often operated by a one-man plant in a small village.

The proportion of the kilowatt hours generated by the member companies of our association is seventy-five per cent of the total generated in Canada.

THE CHAIRMAN: Seventy-five per cent of all the kilowatt hours generated in Canada is generated by members of your Association?

MR. MATHER: Yes, according to the latest figures available at the Bureau of Statistics, for 1935. We have copies of the figures here in this document entitled "Census of Industry--Central Electric Stations in Canada", published by the Dominion Bureau of Statistics for 1935. It shows that the total kilowatt hours generated in the year 1935 was, in thousands, 23,283,033, of which the commercial stations, as the Bureau of Statistics terms the privately operated companies, generated, in thousands, 17,767,949 kilowatt hours and the municipal stations 5,515,084. Those figures will be found at page 10 of the Census of Industry, near the foot of the page.

THE CHAIRMAN: And there has been no material change in the relative position since that year?

MR. MATHER: No, I would not think so. They must be approximately correct to-day.

We have also brought with us, Mr. Chairman, a copy of our Constitution, and a list of the names of our member companies, which we shall file with the Secretary.

With your permission, Mr. Chairman, I shall now



read our Brief:

"The Canadian Electrical Association has taken cognizance of the fact that your Commission has been appointed amongst other things to investigate "the character and amount of taxes collected from the people of Canada, to consider those in the light of legal and constitutional limitations, and of financial and economic conditions, and to determine whether taxation as at present allocated and imposed is as equitable and as efficient as can be devised."

THE CHAIRMAN: I assume that you envy us our task under that clause.

MR. MATHER: We thought it was a delightful clause.  
Continuing:

"This Association on behalf of those electric utilities throughout Canada which are operated by private companies and which are engaged in the production and/or distribution of electrical energy wish to set forth certain salient facts regarding the incidence of taxation on such private companies resulting from the methods of taxation presently adopted by the various taxing authorities, which results in grave discrimination against the customers of such companies and, in effect, bonuses similar customers of public operated utilities at the expense of the community as a whole.

In passing we wish to point out that the commercial activities of governments are the cause of a great deal of the present tax trouble.





"The taxing authorities lose millions of dollars a year in tax revenue through those activities, which are exempt from nearly all of the taxes paid by private companies engaged in the very same activities."

Turning for a moment to page 12 of this Brief, you will find there a table of the revenue and taxes of the commercial stations and the municipal stations from 1925 to 1935. The municipal stations include, of course, everything, and we shall come to a definition of "municipal stations" in a few moments. It will be observed from that table that in 1935 the commercial stations paid in taxes a total of \$7,013,470, and that the municipal stations paid in taxes a total of \$510,556.

If one wanted to do a small sum in arithmetic, if you add up the total taxes paid by the commercial stations in the eleven years from 1925 to 1935, and subtract from that total the taxes paid by the municipal stations in the same period, you will find there is a difference in those eleven years of approximately \$48,000,000.

I continue now with the Brief:

"Furthermore, many of these activities are a drain on the general revenues and to this extent their expenses are shared by those who derive no benefit therefrom. For example, none of the provincial power commissions cover the entire field, but all are more or less of a load on the taxpayers of their respective provinces through subsidized services, subventions, operating deficits, inadequate provision for depreciation or services of other Provincial Departments provided without charge.



"When cities and provinces claim an increased share of the sources of taxation on the grounds that their revenues are inadequate to meet their expenses, the effect of their policies on these--that is, on their revenues and expenses--as also on the revenue of the Dominion, should be taken into account.

With regard to the taxation of utilities selling electricity, a large part of the expenses of the private companies is made up of Dominion income tax, provincial income tax, corporation and other special taxes from which the publicly operated utilities are exempt. Municipalities occasionally tax their own utilities and in some instances provincial power commissions pay municipal taxes on a limited portion of their property, but neither group pay either Provincial or Dominion taxes whereas private companies pay heavy taxes to all three."

That is shown on page 14 of our Brief, where the figures are set out for Dominion, provincial and municipal taxation. Continuing on page 6 of the brief:

"The results of the present practice may best be illustrated by certain statistical data taken from the latest available statistics furnished by the Dominion Bureau of Statistics for the year 1935, which are set out in detail in Schedule "A" attached. In the tables forming part of Schedule "A" the terms "Commercial" and "municipal" are those used in the Census of Industry and are explained in as follows:--



"The stations are divided into two classes according to ownership, namely:--

- (a) commercial, those operated by companies or individuals; and
- (b) municipal, those operated by municipal, provincial or federal governments.'

From the tables quoted in Schedule "A" it appears that the 779,400 customers of privately operated companies in effect paid in the year 1935 a total of \$7,013,470 in taxes divided as follows:--

To Municipalities	\$2,704,842
To Provinces	1,621,512
To Dominion	2,687,116 "

The Dominion Bureau of Statistics in their Census of Industry for 1935--Central Electric Stations in Canada--say on page 5, under the heading "Table 5-Expenses:"

"Taxes showed the largest increase of any during the past decade, growing from \$6,384,481 in 1934 to \$7,524,026."

That is in 1935. I quote further:

"Commerical stations paid \$7,013,470, or 93 per cent of the total."

I turn back now to page 6 of the Brief:

"whereas the 915,303 customers of publicly operated utilities in effect paid a total of only \$510,556, divided as follows:--

To Municipalities	\$509,667
To Provinces	638
To Dominion	251





THE CHAIRMAN: Who got that \$638.00?

MR. MATHER: We can find out very quickly. It was paid to several provinces. Nova Scotia got \$499, New Brunswick \$60, Ontario \$79.00.

THE CHAIRMAN: What was that for? The figure is so small.

MR. MATHER: It may be taxes on stores or other properties. Perhaps Mr. Fairchild could give you that in detail.

MR. FAIRCHILD: We questioned the Bureau of Statistics with regard to these figures, and in reply received the following:

"I find that some of these items reported as federal and provincial taxes are water rentals, and in Nova Scotia they include also fees paid to the Public Utilities Commission, which I presume can be classed as taxes. Water rentals, however, are for rights and should be eliminated."

THE CHAIRMAN: I can hardly understand any kind of provincial or municipal tax that would net only this amount on all these company-owned properties.

MR. MATHER: The next item, Mr. Chairman, shows that \$251.00 was paid to the Dominion. The details of that appear in Table II, on page 14 of the Brief. That was all paid in the province of Ontario. The Bureau of Statistics did not explain to us just what that was.

THE CHAIRMAN: It is possibly water rentals, because no doubt there are certain water rentals paid.

MR. MONTGOMERY: The largest of these municipal taxes paid, as shown by Table II on page 14, was in Ontario, amounting to \$275,645.00. Then there is a municipal



tax on retail stores and such like that sell electrical appliances. They also pay on certain lands other than those used for transmission lines.

MR. MATHER: Continuing now at the bottom of page 6 of the Brief:

"In other words, the customers of the privately operated companies in effect paid an average of \$9.00 each in taxes, as compared with 56 cents each by the customers of publicly operated systems of which the Dominion and Provincial governments received considerably less than one cent per customer, or practically nothing."

We have worked it out on a customer basis, which, while it may not give an exact picture, is as accurate as any other. It could have been worked out on some other basis, such as gross revenue, but the result would have been about the same.

Continuing:

"If the customers of the publicly operated utilities had paid the same amount in taxes, per customer, as customers of similar privately operated electric utilities in 1935, the amounts collected by municipalities, Provinces and Dominion would have been as follows:--

Municipalities.	\$3,176,101.41
Provinces	1,903,830.24
Dominion	3,157,795.35

These various taxing authorities have therefore sustained an annual loss of revenue of approximately \$7,720,000 to which, on an equitable basis of taxation, they would have been entitled."



THE CHAIRMAN: Can you tell us whether in the case of provincially owned power facilities, any of the provinces have received any profit on operations, or has there been any loss; or are they all operated on a cost basis, with the consumers paying the entire cost?

MR. FAIRCHILD: Your Lordship, I think that most of the provincially operated systems are operated on the principle of cost. There are certain systems which are making a profit, and there are others, as will be seen by their annual reports, that are not making a profit, but none of them, as pointed out in this Brief, pays any taxes.

THE CHAIRMAN: I was just wondering how it worked out. The Ontario system is operated on the basis of cost.

MR. FAIRCHILD: Yes, on the basis of cost, and I think most of them are operated more or less on that basis.

THE CHAIRMAN: Then if they paid taxes on the same basis as the others, as your submission is that they should, it would mean--or rather, to put it in another way, your contention is that they are getting power at less than cost now because they do not pay their share of the municipal burden?

MR. FAIRCHILD: That is right, sir.

COMMISSIONER ANGUS: Is it quite fair to take the tax per customer? Would the result be out, if you measured it by the number of kilowatts?

MR. MATHER: It does not give exactly a true picture, as I said before. We could have taken it on





some other basis, but we would have arrived at the same general result. The figures would not have been quite the same.

COMMISSIONER ANGUS: There were more customers for publicly operated utilities, and the publicly operated utilities produced less power?

MR. MATHER: Yes.

MR. STEWART: That would be due largely to the big power contracts between Ontario and private companies?

MR. MATHER: Yes. The main item in the figures is the amount of taxes paid, regardless of what basis they are on.

COMMISSIONER ANGUS: As you say, it could have been worked out on another basis.

MR. MATHER: But we feel confident the results would have been generally the same.

Turning now to page 8 of the Brief, we deal with the federal income tax.

#### FEDERAL INCOME TAX

"The result of the application of the present Federal Income Tax Act is to create gross discrimination in the matter of federal taxation between the Provinces--"

That is not quite correctly worded. We mean the people in the provinces;

"--which have adopted the system of public ownership and the Provinces which adhere to the system of private ownership, all of which is demonstrated by the data set out in Schedule "A" hereof."

We are distinguishing between the provinces which have public ownership and provinces which have not, and



it just happens to fall into taking Ontario as more simple than taking certain provincial boundaries. But we do not mean to consider it as a matter of provincial policy.

THE CHAIRMAN: Why do you put it in that way, Mr. Mather? I assume it is because you speak of it being paid by these customers, that the tax is passed on in the rates which the privately owned companies charge?

MR. MATHER: Absolutely yes, sir.

THE CHAIRMAN: And so you say it is the taxpayers, the users in one province who pay more than the corresponding users in another province because the federal government taxes one class of companies and not the other?

MR. MATHER: That is it, absolutely, sir. The rates would not be so high if it was not for that tax; and in the case of the other companies, the rates would have to be raised if that much more money had to be found. Then we deal with provincial and municipal taxation;

#### PROVINCIAL AND MUNICIPAL TAXATION

"The data contained in Schedule "A" also demonstrates clearly the discriminatory nature of the present Provincial and Municipal taxation methods against the customers of privately operated electric utilities, and this Association desires to draw the attention to your Commission to that fact, in the hope that your recommendations bearing upon the general tax problem, will make proper provision for the remedying of this injustice.

This Association does not desire to enter into any discussion as to the merits of Public vs Private operation, but it does desire to



"emphasize the fact that whatever policy various communities may adopt it should have no effect upon the contributions which have to be made by consumers of the same commodity in different localities.

The Association is not suggesting that the taxes be reduced, although it would welcome the lessening of the tax burden on the customers of privately operated companies.

A system of taxation which places a premium on individual governments and municipalities engaging in commercial activities, at the expense of the taxpayers as a whole, is obviously wrong in principle and should be changed, and this Association feels it to be within the scope of your Commission's functions to recommend such changes in this particular situation, which may be in harmony with a solution of the tax question as a whole."

In conclusion, Mr. Chairman, we do not mind paying our taxes at all, but we think that other people doing the same or a similar business, giving a public service to the people, no matter how the company or system may be organized, should pay the same tax.

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THE CHAIRMAN: The principle for which you are contending, although expressed in a different form, was presented to us by the City of Winnipeg. They contended that all public utilities, telephone and other public utilities owned by the government, should bear their share of municipal taxation. That is the same principle, I take it, for which you are contending here?

MR. MATHER: Yes, sir.

THE CHAIRMAN: Now what are these statistics to which you refer?

MR. MATHER: Appendix "A", Table I gives the revenue and the amount of taxes paid by commercial and municipal stations over a period of eleven years. The figures for the commercial stations appear in the two left-hand columns and the figures for the municipal stations in the two right-hand columns. These figures are taken, I may say, from the publication of the Bureau of Statistics to which I have already referred, Census of Industry, for 1935. The revenue figures are taken from page 16 of Census of Industry, and the taxes are taken from Table 5 on page 18 of the same document. We have reproduced these figures exactly in our Brief. There is a point in connection with that table which we brought out in our discussion, and that is that if you take the total taxes paid by the municipal stations, you arrive at a figure a little over \$5,000,000, and the percentage is pretty nearly one per cent. If we could use the same percentage with the figures for the



commercial stations, that \$5,000,000 would be raised to about \$30,000,000.

The next Table is taken straight from the Census of Industry, published by the Bureau of Statistics.

THE CHAIRMAN: There are no municipal stations in Prince Edward Island?

MR. MATHER: No, none at any rate that are paying taxes, and none in British Columbia or the Yukon that are paying taxes.

THE CHAIRMAN: You have not any statement as to whether there are any municipal stations in any of these places?

MR. MATHER: No, but we may be able to get that.

MR. FAIRCHILD: I think it will be found that there are certain municipalities which are distributing power in some of the cities in British Columbia. So far as Prince Edward Island is concerned, I could not say for sure, but I believe there are some in Prince Edward Island,

MR. MATHER: Then Table III we compiled from statistics supplied by the Dominion Bureau of Statistics, and we have worked them out on a customer basis.

COMMISSIONER ANGUS: Do the municipalities distributing power sometimes make a profit on the distribution?

MR. MATHER: It is pretty hard to say. It is difficult to understand some of their financial statements, but they must make a profit or receive some consideration because they keep going. But it is difficult to find out because their books are not kept in the same way, and unless you have a good insight into them, their book-keeping methods are not easy to follow.

COMMISSIONER ANGUS: The private consumer's point



of view would be the counterpart of the companies?

MR. MATHER: Oh yes, and they take care of some other services. You will find the answer to the question just asked on page 22 of this publication, Census of Industry. It gives the number of customers for Prince Edward Island and the other provinces. There were 3,475 customers of commercial stations and 742 domestic service customers.

MR. RALSTON: On page 32 you will find the capacity of each station, and the output of commercial stations, for the different provinces.

THE CHAIRMAN: Just on this page, I notice that Ontario is almost double that of almost any other province. Quebec is next with \$9.70 as compared with \$16.00 for Ontario, and the figures for the other provinces are \$6.00 or lower. I am referring to Table III on page 16 of this Brief. Can you throw any light on that difference? Is there a difference in the basis of taxation, or is it because you have worked it out per customer and the customers in Ontario are more widely distributed having regard to the rural service.

MR. RALSTON: Ontario has a tax on gross earnings, my Lord, as I understand it, of one-half of one per cent. Ontario and Nova Scotia, and Nova Scotia only comparatively recently, are the only two provinces which tax gross earnings of commercial operating companies. That may be some explanation of the difference.

THE CHAIRMAN: That may explain it.

MR. RALSTON: It is a very heavy tax on gross earnings, even though it is only a small percentage.

MR. MATHER: Turning to Table IV on page 18, there is an error in the last column showing the municipal percentage for Nova Scotia, which Mr. Stewart discovered.





The figure shown for Nova Scotia in Table IV is 2.177; it should be .2177; the decimal is in the wrong place.

THE CHAIRMAN: Thank you. That is in Table IV, giving the taxes as a percentage of the revenue.

MR. MATHER: Yes.

THE CHAIRMAN: On what page of this report of the Dominion Bureau of Statistics do we find Table IV?

MR. FAIRCHILD: The number of customers are shown at pages 22 and 23 of the Census of Industry for 1935.

The taxes, expressed as a percentage of revenue, have been obtained from figures supplied by the Dominion government, but they are not published in this report of the Bureau of Statistics.

THE CHAIRMAN: Have you any questions, Mr. St. Laurent?

MR. ST. LAURENT: I have one or two, my Lord. Referring to page 8 of your Brief, Mr. Mather, you have explained that you worked out your calculation on a consumer basis, but that there might be other ways of making a calculation of what the taxes paid represented. Then you say, "These various taxing authorities have therefore sustained an annual loss of revenue of approximately \$7,720,000 to which, on an equitable basis of taxation, they would have been entitled." I assume that the words "on an equitable basis of taxation" might probably be eliminated when you are referring to the \$7,720,000.

MR. FAIRCHILD: I think the word "equitable" should perhaps be changed to read "the same basis of taxation".

MR. ST. LAURENT: The calculation could easily be worked out on a gross revenue basis by reference to the gross revenues shown in Table I, on page 12. It



shows that the privately operated companies paid in 1935, for instance, 8.83 per cent of their gross revenue in taxes, and 8.33 per cent of the gross revenue of the municipal stations, \$47,836,000 would be \$4,423,954. But I suppose that even that might not be putting the companies on an absolute parity. The \$7,013,470 comes out of the \$79,841,554 of revenue, does it not?

MR. FAIRCHILD: That is right.

(Page 3251 follows)



MR. ST. LAURENT: Whilst the \$47,836,000 does not include a tax of the percentage?

MR. FAIRCHILD: No.

MR. ST. LAURENT: I suppose from these figures it is very difficult to get any basis of absolutely fair comparison?

MR. FAIRCHILD: Yes.

MR. ST. LAURENT: It would not do even to divide the gross revenue of a province by the number of customers of the province, and the customers of the various classes?

MR. FAIRCHILD: No.

MR. ST. LAURENT: I noticed this morning the statistics given out by the Quebec Electricity Commission, for instance, show that there is only 3.95 per cent of the total primary load sold for domestic purposes, and 3.5 per cent sold for commercial purposes, and that the other purposes, which include the whole sale and the municipal power, street lighting, transportation, tramways and so forth amounts to 92.55 per cent?

MR. MATHER: Commercial means all commercial lighting; customers does not mean the industrial.

MR. ST. LAURENT: No.

MR. MATHER: All over.

MR. ST. LAURENT: The same statistics show the average for the domestic lighting is about 4-2/3 cents per kilowatt-hour for commercial lighting and about 3-2/3 cents per kilowatt hours for all the others, the industrial and wholesale 4-1/3 mills per kilowatt hour. So that no average can be used for the purpose of arriving at an equitable basis of taxation for the average payment from customers?

MR. MATHER: You are quite right.

HON. MR. RALSTON: You would have to have a distinction between retail and wholesale.





MR. ST. LAURENT: In trying to work out an average hour in Quebec, the average would be 102; whilst the average for domestic and commercial lighting purposes would be something around \$20 per annum; although, I suppose, it is the case that there would be over 95 per cent in addition to customers that would be customers for domestic and commercial lighting?

MR. FAIRCHILD: Yes.

COMMISSIONER ANGUS: How do these figures \$7,720,000 apply on page 8?

MR. FAIRCHILD: That is the total of the figures, sir, less \$510,000.

COMMISSIONER ANGUS: I understand.

MR. FAIRCHILD. Already paid by the Municipal Association.

THE CHAIRMAN: This brief will be marked 109.

MR. ST. LAURENT: For convenience it might be well to mark the Census of Industry which has been referred to as Exhibit 110, and the Constitution of the Canadian Electrical Association as Exhibit 111, and the Membership of the Association as Exhibit 112.

EXHIBIT NO. 109: Brief submitted  
by the Canadian  
Electrical Association

EXHIBIT NO. 110: Census of Industry.

EXHIBIT NO. 111: Constitution of the  
Canadian Electrical  
Association

EXHIBIT NO. 112: Membership of the  
Association.

THE CHAIRMAN: Thank you, gentlemen.

HON. MR. RALSTON: I might say, my Lord, such discussion as there has been, has been with regard to equalizing taxes by adding to the taxes of the municipal plants in order to equalize them. There is a very simple solution and that is not to tax the commercial



plants.

THE CHAIRMAN: I am afraid, Colonel Ralston, your knowledge of federal finance would not lead you to think that that was a probable solution.

HON. MR. RALSTON: I only want <sup>it</sup> to be understood that that is quite satisfactory from the point of view of the company.

THE CHAIRMAN: Thank you, gentlemen. Your brief will receive our consideration in due time.

(The Commission adjourned at  
3.15 p.m., until 10.30 a.m.  
Tuesday, January 25, 1938.)













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